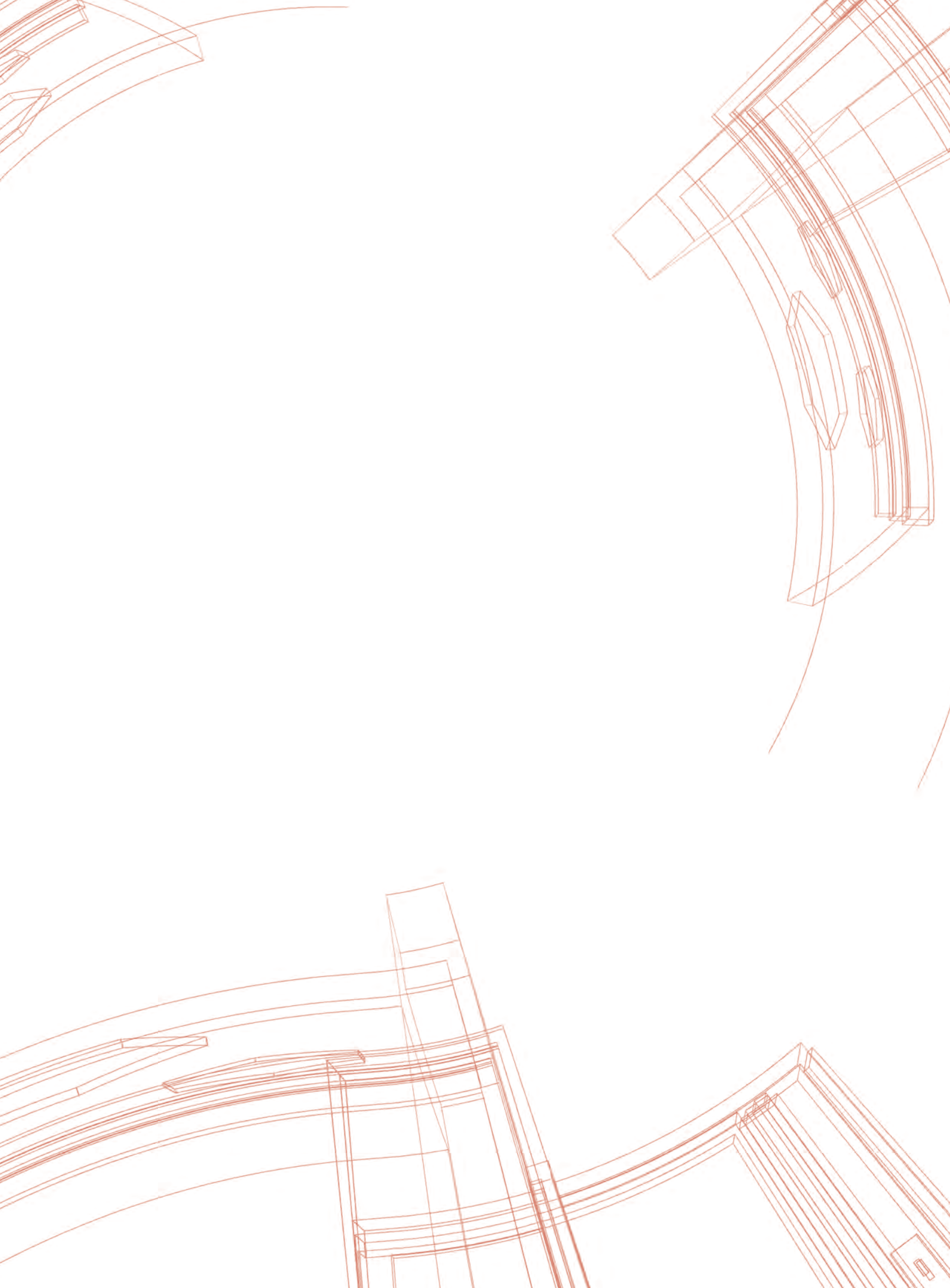
Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2608

2017 ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yi Xiaodi *(Chairman)*
Mr. Fan Xiaochong *(Vice Chairman)*

Non-executive Directors

Ms. Fan Xiaohua
Mr. Wang Gongquan

Independent Non-executive Directors

Mr. Gu Yunchang
Mr. Ng Fook Ai, Victor
Mr. Wang Bo

AUDIT COMMITTEE

Mr. Ng Fook Ai, Victor *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

REMUNERATION COMMITTEE

Mr. Wang Bo *(Chairman)*
Mr. Fan Xiaochong
Mr. Gu Yunchang

NOMINATION COMMITTEE

Mr. Yi Xiaodi *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

JOINT COMPANY SECRETARIES

Dr. Ngai Wai Fung
Mr. He Jie

COMPANY'S WEBSITE

www.ss100.com.cn

AUTHORISED REPRESENTATIVES

Mr. Yi Xiaodi
Dr. Ngai Wai Fung

REGISTERED OFFICE

190 Elgin Avenue
George Town, Grand Cayman
KY1-9005
Cayman Islands

HEAD OFFICE

12th Floor, Tower D
No. 2 Guang Hua Road
Beijing 100026
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER

Morrison & Foerster LLP

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Everbright Bank
China Minsheng Banking Corp., Ltd
China CITIC Bank Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House–3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

LISTING INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 2608

Honors and Awards

In March 2017, the Company was honored among the "2017 China TOP 100 Real Estate Developers", "2017 Outstanding Light Asset Operation Company" and "2017 China Excellent Commercial Real Estate Developers" by the China Real Estate TOP 10 Research Team.

2017 China TOP 100 Real Estate Developers

2017 Outstanding Light Asset Operation Company

2017 China Excellent Commercial Real Estate Developers

In May 2017, Sunshine 100 was recognized among the "2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value" and "2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)" by the China Real Estate Top 10 Research Team.

2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)

2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value

"China Real Estate TOP 10 Research Team", which is jointly formed by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of the Tsinghua University and the China Index Academy, established an evaluation system for the operation scale, capability of creating economic value added (EVA), investment value, financial soundness of enterprises, financing capability, operating efficiency and social responsibility. The Research Team has begun its operation since 2003 and conducted evaluation for 15 years, the results of which have become one of the important standards for investors to assess the comprehensive strength of listed real estate companies in China and explore the investment opportunities in the securities market.

Chairman's Statement

I am pleased to present the business review for the year ended 31 December 2017 (the "**Reporting Period**") and outlook of the Group to the shareholders of Sunshine 100 China Holdings Ltd (the "**Company**" or "**Sunshine 100**").

RESULTS

In 2017, the Group's contracted sales amount was RMB10,607.7 million and the average selling price for contracted sales increased sharply by approximately 34.1% to RMB11,509 per square metre. Sales were generated from approximately 22 projects, more than 60% of which were derived from the Yangtze River Delta and the Pearl River Delta. In particular, Qingyuan Sunshine 100 Arles and Changzhou Sunshine 100 Zone 7 Upper East Side contributed significantly to the sales. Due to the increase of the gross profit margin recognized for properties delivered in the year, as well as the decrease of the selling expenses as a result of enhanced cost control, gross profit increased significantly by 38.3% to RMB1,499.4 million, gross profit margin rose to 21.8% and the profit attributable to equity shareholders for the year surged by 203.5% to RMB593.1 million.

REVIEW OF 2017

The year 2017 was of significance for the transformation and development of Sunshine 100. During this year, the national real estate market was generally favourable. In particular, the real estate markets in second-tier and third-tier cities witnessed a decrease in inventory and an increase in price though confronted with the pressure from elevated regulation and limitation on house price and supply. In the past year, thanks to the concerted efforts of all employees, the Company made achievements and progress in the following three aspects: firstly, returns of the Company's projects increased dramatically, recording an increase of 34.1% in average selling price, which was attributable to the enhancement of product quality as well as transformation and upgrade of products; secondly, two core products have gradually honed their edges. Sunshine 100 Commercial Street Complexes have established their presence in different cities and achieved success as expected, meanwhile Hima Alaya Apartment products have been launched in a number of cities and were well received in the market; thirdly, the

Company vigorously implemented the reform of management and operation mechanism and introduced "co-investment" and "benefit sharing" mechanism for the majority of its projects, thus revitalizing the "United Task Force" (UTF) operation system featuring subdivision of accounting units, which has been put into trial implementation by the Company for years, and paving the way for the high-speed growth of the Company in the coming years.

I. Benefits-prioritized Development Strategy

In spite of unprecedentedly fierce acquisitions and competitions among real estate enterprises in the past year, we firmly believe that an enterprise will maintain its advantageous position as long as it is able to improve returns and win the customers over. Therefore, the Company exerted great efforts on upgrading our products, quality and service in the past year, having resulted in favourable results considering the input and output of projects. Thanks to the smooth upgrade of products, average selling price for the year rose by 34.1% to RMB11,509 per square metre, in spite of the slight increase in contracted sales amount for the year. It is expected that the gross profit of products may continue to rise in the future.

Improvement in management of Sunshine 100 Commercial Streets and quality of after-sale services for Hima Alaya apartments drove up the rental and drove down the vacancy rate, thus laying down a solid foundation for the steady growth in rental in the future.

II. Core Products Gaining Competitive Advantages

In 2017, Sunshine 100 Commercial Street Complexes opened for business and expanded operation in Liuzhou, Yixing and Weifang, respectively, having achieved desired results. For example, Sunshine 100 Yaobu Town in Liuzhou received over 6 million tourists throughout the year and the average rental went up by 20%–30%. After opening for business, Sunshine 100 Phoenix Street in Yixing ushered in larger-than-expected number of visitors and the attraction for tenants went on well as effected by the stationing of anchor stores, which drove up the selling price of the tail part of property units to over RMB130,000 per square metre. The successful operation of the commercial street in Weifang contributed to the sharp rise in housing price. Meanwhile, the commercial street complexes in Changsha and Changzhou were going like hot cakes since launched for sale, and the average unit price of shops on the first floor in Changsha exceeded RMB50,000 per square metre. In addition, admirable social benefits were achieved in Ciyun Old Street in Chongqing benefiting from the integration of the Imperial Palace culture. As Sunshine 100 Commercial Street Complexes had delivered positive urban effects and social response, a number of cities expressed their cooperation initiatives. Currently, we are in talks with several cities on cooperation matters.

The year 2017 witnessed the excellent market performance of Sunshine 100 Hima Alaya apartments. During the year, the Hima Alaya apartments in Chongqing were almost sold out, Hima Alaya apartments in Wuxi made a good start, and Hima Alaya apartments in Wenzhou and Tianjin are ready to be launched in the markets. The increasingly sophisticated Hima Alaya products will also become a source of growth of Sunshine 100.

Buildings in suburbs targeting young white-collar workers are the traditional core products of Sunshine 100. Our experience in running commercial street complexes gave Arles Town projects a touch of vitality and a sense of community, thus driving both the sales volumes and prices of Sunshine 100 Arles Towns in Qingyuan, Wuxi and Wenzhou.

III. Development of New Projects

In 2017, the Company replenished its land reserves at a low cost leveraging on its advantageous core products. The Company secured the Beijing North – Xinglong County High-speed Rail New Town Project, Wuming Project in Guangxi, Wuzhou Project in Guangxi, Hima Alaya Project in Wuxi and Lijin Mansion Project in Tianjin by way of bidding, acquisition and equity investment. In particular, Beijing North – Xinglong County High-speed Rail New Town Project was a large complex property project in northern suburb of Beijing in possession of great growth potential, which is expected to cover an area of 1,000 Mu for phase I and an area of 5,000 Mu for phase II after scaled up as planned. The Company, in cooperation with Guangxi Communications Investment Group Co., Ltd., invested in its two large projects through acquisition of minority interests, i.e., the Wuming Project in northern Nanning with an area of 1,800 Mu, which is owned as to 30% by the Company, and the Wuzhou Project with a GFA of approximately 1.6 million square metres, which is owned as to 27.75% by the Company. These projects cemented a solid foundation for the Company's growth in the coming years.

In the meantime, the Company acquired interests in the building complex project in Putian, Fujian (with a GFA of approximately 300,000 square metres) and the building complex project in Xuzhou (with a GFA of approximately 200,000 square metres) by way of "asset-light" operation. In particular, Putian Project recorded contracted sales amount of RMB986 million and gross profit margin on investment of 80% in 2017.

Capitalizing on the advantages of Commercial Street Complex projects, the Company is in talks on some quality projects in a number of cities.

IV. Reform of Mechanism

In 2017, the Company made great effort to reform internal mechanisms and achieved initial success.

Firstly, the internal cooperation program in the form of "co-investment" was adopted to "share" project profits with employees. Secondly, the decision-making power for projects was delegated through subdivision of accounting units by way of "asset package", which created the UTF featuring risk sharing, benefit sharing, independent operation and self-motivation.

Sunshine 100 has been exploring the reform of incentive mechanism for years. Ever since 2011, the Company has commenced the reform by introduction of an internal "UTF" system, which has achieved notable results in the sales division. In the recent two years, the project department has established independent "operating division" by way of "asset packages", which has unleashed tremendous vitality and also remarkably enhanced the return on existing assets, propelled the attraction of tenants for commercial properties and enhanced the quality of after-sales services of properties.

OUTLOOK OF 2018

I. Maintaining Growth

The year 2018 will witness rapid development of the Company. While maintaining continuous profit growth, the Company will speed up business development. Meanwhile, it will devote more efforts to continually promoting product upgrading and transformation and increase the sales proportion of two core products, aiming for growth in both sales volume and selling price.

II. Promoting Reform

In 2018, the Company will implement the "co-investment mechanism" in a wider range to transform the Group into a business platform and cooperation platform, empowering more front-line and young employees to pursue entrepreneurship and career development, thereby motivating its employees' enthusiasm to pool their wisdom and efforts. The innovation in terms of products and services will reach new highs.

The new cooperation mechanism, under which various ways including acquisition, equity investment and brand output are adopted, also greatly widened the source of new projects and speeded up corporate development. In 2018, the Company will pay close attention to the development of Arles Town projects in the Greater Beijing Area and Greater Bay Area. In second-tier cities in central China, we will focus on Commercial Street Complexes and Hima Alaya projects.

III. Accelerating Transformation

It is imperative to increase the proportions of two core products, i.e. Commercial Street Complex and Hima Alaya Apartments, for enhancing our product competitiveness, increasing profit as well as facilitating the development of the Company in future. In respect of future expansion, we believe the development of projects featuring our core products will bring us a strong competitive edge, instead of adopting the traditional way of acquisition of land at a high price or depending on high turnover of residential properties.

In 2017, the sales amount of non-residential real estate products (commercial, office, resort, etc.) was over RMB2 trillion in China, indicating a tremendous market capacity, and there is no monopolistic enterprise brand in the market. On the contrary, in the residential property market, despite an enormous capacity of RMB11 trillion, large monopolistic players have gained an advantageous position and the competition has become increasingly brutal. After years of trial and error in the process of transformation, Sunshine 100 has taken the leading position in the industry in terms of the Commercial Street Complex products, producing favourable social effects. Therefore, this field should be the future focus of growth of the Company.

Chairman's Statement

Based on the experience of developed countries, such as the United States and Japan, the residential property market will shrink sharply after the real estate market matures (the second hand housing market will take the dominant position). In contrast, the non-residential property market will continue to grow and experience quite a long flourishing period. At present, China has started entering a mature period of real estate development. In the recent three years, the proportion of sales from non-residential real estate products gradually picked up and governmental policies also showed greater support for the operation of rental housing and commercial properties. We believe that commercial properties, apartments, culture and tourism-related products etc. will embrace a greater upside potential in the market, which will bring a bright prospect for Sunshine 100.

It should be emphasized that no matter it is about the enterprise mechanism reform or about product innovation, what's required is the support of matching "talents". Sunshine 100 has always underlined "talents" as its primary resource. Long-term focus on building corporate culture and clear corporate values will strongly underpin the reform and development of the Company in the coming years.

Last but not least, on behalf of the Board of the Company, I would like to express my sincere gratitude to all our colleagues, clients, shareholders and all friends who provided support to Sunshine 100 in the past year.

Yi Xiaodi
Chairman and Executive Director

28 March 2018

Corporate Milestones

March

Honored among the "2017 China TOP 100 Real Estate Developers", "2017 Outstanding Light Asset Operation Company" and "2017 China Excellent Commercial Real Estate Developers" by the China Real Estate TOP 10 Research Team.

May

Recognized among the "2017 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by Investment Value" and "2017 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by EVA (Economic Value Added)" by the China Real Estate Top 10 Research Team.

Made investments in the Group's first light asset operation project – Putian Sunshine 100 Phoenix Plaza.

September

Successfully issued offshore 3-year US$235 million senior notes with a coupon rate of 8.50%.

October

Won the bidding of the Xinglong County High-speed Railway New Town Project located the northern Beijing, which covers approximately 980 hectares and is to be built as a new High-speed Railway metropolis.

December

Cooperated with Guangxi Communications Investment Group Co., Ltd., and invested in its projects through the acquisition of minority interests, i.e., the Wuming Project in the northern Nanning and the Wuzhou Sanqi Project.

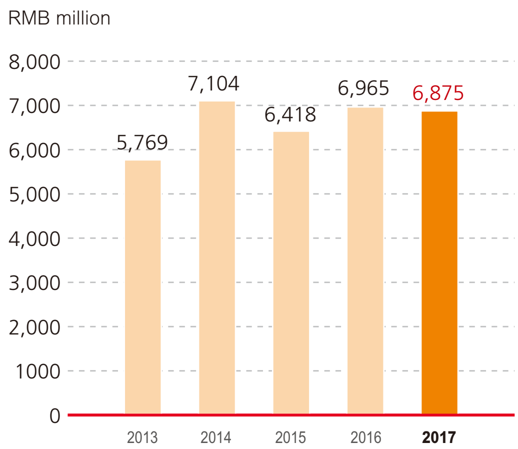
Allotted 235,055,000 shares to a wholly-owned subsidiary of Huarong International Financial Holdings Limited at a price of HKD3.10 per share.

Financial Summary

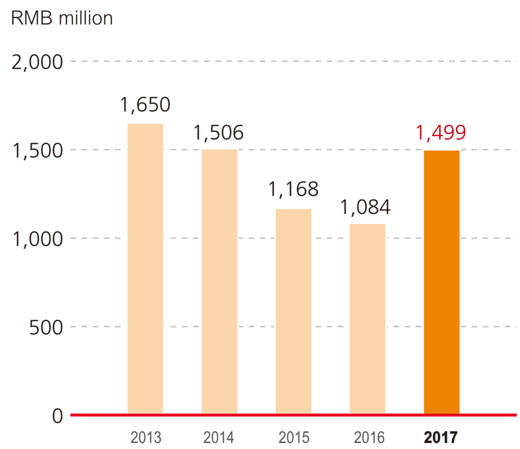
	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**6,875**	6,965	6,418	7,104	5,769
Gross profit	**1,499**	1,084	1,168	1,506	1,650
Profit before taxation	**1,296**	539	1,003	1,310	1,115
Income tax	**(447)**	(308)	(390)	(500)	(484)
Profit for the year	**849**	231	613	810	631
Profit for the year attributable to:					
– Equity shareholders of the Company	**593**	195	601	767	672
– Non-controlling interests	**256**	36	12	43	(41)
Total comprehensive income for the year	**863**	219	610	810	631

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total assets	**55,780**	53,088	43,139	35,071	27,903
Total liabilities	**46,618**	45,406	35,637	29,555	25,152
Net assets	**9,162**	7,682	7,502	5,516	2,751
Total equity attributable to:					
– Equity shareholders of the Company	**7,447**	6,239	6,196	4,620	1,992
– Non-controlling interests	**1,715**	1,443	1,306	896	759
Total equity	**9,162**	7,682	7,502	5,516	2,751

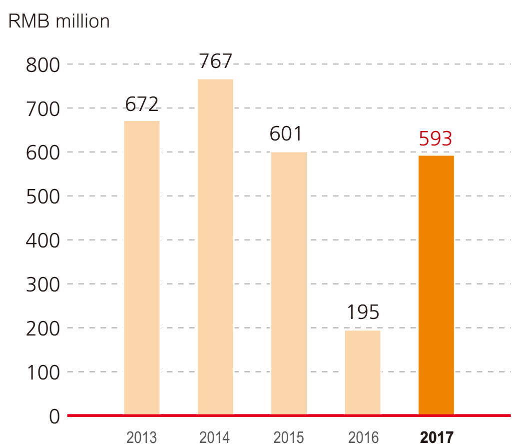
REVENUE



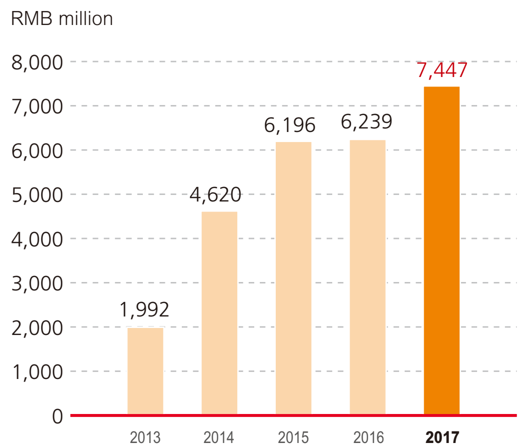
GROSS PROFIT



PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



Management Discussion and Analysis

BUSINESS REVIEW

Contracted Sales

During the Reporting Period, the Group (including light asset operation projects) realized contracted sales in the amount of RMB10,607.7 million, representing an increase of 1.8% from the corresponding period of 2016, and an aggregate contracted sales area in the amount of 867,350 square metres, representing a decrease of 24.0% from the corresponding period of 2016. Moreover, the Group's average unit price for contracted sales was RMB11,509 per square metre, representing a significant increase of 34.1% over the corresponding period of 2016. Particularly, the sales of commercial properties and car parks increased significantly thanks to the vigorous promotion of commercial operations and more efforts in de-stocking of car parks. The contracted sales generated from commercial properties and car parks amounted to RMB2,670.3 million, representing an impressive increase of 69.4% from the corresponding period of 2016. Contracted sales generated from residential properties amounted to RMB7,937.5 million, representing a decrease of 10.2% from the corresponding period of 2016. More than 60% of the contracted sales derived from the Yangtze River Delta and Pearl River Delta regions, among which, contributions from Qingyuan Sunshine 100 Arles and Changzhou Sunshine 100 Zone 7 Upper East Side were significant, with the contracted sales being RMB1,838.3 million and RMB1,456.9 million respectively, accounting for 17.3% and 13.7% of the total contracted sales respectively.

Contracted sales of the Group by geographic location during the Reporting Period were as follows:

			For the year ended 31 December					
Economic area	**City**	**Project**	**Contracted sales area** *(square metres)*[1]		**Contracted sales amount** *(RMB million)*[2]		**Unit selling price** *(RMB/square metre)*[1]	
			2017	2016	**2017**	2016	**2017**	2016
Bohai Rim	Shenyang	Shenyang Sunshine 100 International New Town	**68,197**	111,935	**542**	765	**7,698**	6,629
		Shenyang Sunshine 100 Golf Mansion	**18,052**	21,861	**109**	123	**5,706**	5,535
	Jinan	Jinan Sunshine 100 International New Town	**18,537**	7,258	**566**	268	**21,686**	11,022
	Dongying	Dongying Sunshine 100 City Garden	**44,652**	33,937	**311**	224	**6,875**	6,512
	Weifang	Weifang Sunshine 100 City Plaza	**31,857**	19,243	**236**	117	**7,377**	6,028
	Tianjin	Tianjin Sunshine 100 International New Town	**-**	–	**86**	185	**-**	–
	Sub-total		**181,295**	194,234	**1,850**	1,682	**8,671**	6,590

Economic area	City	Project	Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
			For the year ended 31 December					
			2017	2016	**2017**	2016	**2017**	2016
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	**77,125**	209,091	**965**	1,638	**12,499**	7,834
		Wuxi Sunshine 100 Hima Alaya (formerly named as Wuxi Tai Lake New Town)	**3,746**	–	**61**	–	**16,284**	–
	Wenzhou	Sunshine 100 Wenzhou Center	**2,367**	33,437	**58**	688	**24,504**	20,576
		Wenzhou Sunshine 100 Arles	**86,999**	107,533	**915**	934	**9,862**	8,686
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	**145,585**	–	**1,457**	–	**10,008**	–
	Yixing	Yixing Sunshine 100 Phoenix Street	**10,233**	7,132	**313**	221	**30,587**	30,987
	Sub-total		**326,055**	357,193	**3,769**	3,481	**11,382**	9,745
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	**171,881**	311,864	**1,838**	2,073	**10,048**	6,538
	Putian	Putian Sunshine 100 Phoenix Plaza	**67,547**	–	**986**	–	**14,597**	–
	Sub-total		**239,428**	311,864	**2,824**	2,073	**11,331**	6,538

Economic area	City	Project	For the year ended 31 December Contracted sales area *(square metres)*[1] 2017	2016	Contracted sales amount *(RMB million)*[2] 2017	2016	Unit selling price *(RMB/square metre)*[1] 2017	2016
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	**4,489**	137,793	**97**	1,325	**11,138**	9,231
	Chongqing	Chongqing Sunshine 100 International New Town	**44,234**	30,182	**891**	626	**19,646**	20,476
		Chongqing Sunshine 100 Arles	**35,206**	37,525	**416**	341	**10,623**	8,314
	Changsha	Changsha Sunshine 100 International New Town	**22,466**	56,960	**526**	537	**21,900**	8,954
	Liuzhou	Liuzhou Sunshine 100 Yaobu TOWN	**3,041**	8,097	**67**	197	**20,059**	21,860
	Chengdu	Chengdu Sunshine 100 Mia Centre	**3,630**	7,106	**71**	110	**15,702**	13,510
	Nanning	Nanning Sunshine 100 Upper East Side International	**507**	–	**16**	28	**3,945**	–
	Lijiang	Lijiang Sunshine 100 COART Village	**6,999**	868	**81**	16	**11,573**	18,433
	Guilin	Guilin Sunshine 100 Lijiang Project	**-**	31	**-**	1	**-**	24,225
	Sub-total		**120,572**	278,562	**2,165**	3,181	**16,471**	10,777
Total			**867,350**	1,141,853	**10,608**	10,417	**11,509**	8,584

Notes:

(1) Excluding car parks

(2) Including car parks

Contracted sales of the Group by type of business during the Reporting Period were as follows:

	For the year ended 31 December					
	Contracted sales area *(square metres)*(1)		**Contracted sales amount** *(RMB million)*(2)		**Unit selling price** *(RMB/square metre)*(1)	
Type	**2017**	2016	**2017**	2016	**2017**	2016
Residential properties	**728,319**	1,074,674	**7,938**	8,841	**10,899**	8,227
Commercial properties and car parks	**139,031**	67,179	**2,670**	1,576	**14,702**	14,305
Total	**867,350**	1,141,853	**10,608**	10,417	**11,509**	8,584
Proportion						
Residential properties	**84%**	94%	**75%**	85%		
Commercial properties and car parks	**16%**	6%	**25%**	15%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks

(2) Including car parks

Property Construction

During the Reporting Period, the Group's newly-started GFA was 1,438,253 square metres, representing a decrease of 7.7% from 2016. The completed GFA was 916,711 square metres, representing a decrease of 46.2% from 2016, mainly because in accordance with the project development timeline of the Company, a large number of projects which commenced construction in prior years were completed in 2016. The total GFA under construction was 4,205,378 square metres as at the end of the Reporting Period, representing an increase of 25.7% as compared with the end of 2016.

The status of property construction of the Group during the Reporting Period was as follows：

		2017		
Economic area	**City**	**Newly-started total GFA** *(square metres)*	**Completed total GFA** *(square metres)*	**Total GFA under construction as at the end of the period** *(square metres)*
Bohai Rim	Jinan	122,608	115,701	122,608
	Shenyang	50,128	216,547	120,314
	Dongying	8,489	68,436	20,261
	Weifang	–	75,426	76,401
	Tianjin	31,075	–	31,075
	Sub-total	**212,300**	**476,110**	**370,659**
Yangtze River Delta	Wuxi	98,364	78,086	383,929
	Wenzhou	182,754	–	1,329,698
	Changzhou	248,321	–	248,321
	Sub-total	**529,439**	**78,086**	**1,961,948**
Pearl River Delta	Qingyuan	–	198,684	514,577
	Putian	–	–	337,278
	Sub-total	**–**	**198,684**	**851,855**
Midwest	Wuhan	–	120,316	–
	Chongqing	40,131	–	214,445
	Changsha	161,996	42,373	238,178
	Nanning	158,369	–	158,369
	Wuzhou	333,723	–	333,723
	Guilin	2,295	1,142	43,269
	Lijiang	–	–	32,932
	Sub-total	**696,514**	**163,831**	**1,020,916**
Total		**1,438,253**	**916,711**	**4,205,378**

Breakdown of Major Properties

Economic area City	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	No. 19 Yangguang New Road, Huaiyin District, Jinan City, Shandong Province			46,928	122,608	104,809	49.00%
		Phase I				498	–	–	
		Phase II				1,205	–	–	
		Phase III				9,067	–	–	
		Phase IV				23,730	–	–	
		Phase V		2020	70%	12,428	122,608	–	
		Phase VI				–	–	104,809	
	Shenyang	Shenyang Sunshine 100 International New Town	Yuhong New Town, Yuhong District, Shenyang City, Liaoning Province			165,476	101,638	328,782	100.00%
		Phase I				23,019	–	–	
		Phase II				61,910	–	–	
		Phase III		2018	60%	80,547	101,638	328,782	
		Shenyang Sunshine 100 Golf Mansion	No. 18 Qi Hao Street, Economics and Technology Development District, Shenyang City, Liaoning Province			78,095	18,676	18,456	51.00%
		Phase I				38,127	–	–	
		Phase II, Phase III		2018	89%	39,968	18,676	18,456	
	Tianjin	Tianjin Sunshine 100 International New Town	Hongqi South Road, Nankai District, Tianjin City			104,330	–	–	86.00%
		Tianjin Sunshine 100 Lijin Mansion	West of Hongqi Road and North of Chuxiong Road, Nankai District, Tianjin City	2019	0%	–	31,075	–	100.00%
	Dongying	Dongying Sunshine 100 City Garden	No. 248 North 1st Road, Dongying District, Dongying City, Shandong Province			50,269	20,261	–	100.00%
		Phase I				2,987	–	–	
		Phase II				14,982	–	–	
		Phase III		2019	68%	32,300	20,261	–	
	Weifang	Weifang Sunshine 100 City Plaza	No. 5051 Shengli East Street, Kuiwen District, Weifang City, Shandong Province			42,066	76,401	1,364,935	100.00%
		Phase I				30,220	–	–	
		Phase II		2018	82%	11,846	76,401	–	
		Phase III				–	–	478,381	
		Phase IV				–	–	423,573	
		Phase V				–	–	462,981	
	Yantai	Yantai Sunshine 100 City Plaza	Nos. 25–27 Haigang Road, Zhifu District, Yantai City, Shandong Province			15,939	–	327,249	100.00%
		Phase I				15,939	–	–	
		Phase II				–	–	327,249	
	Subtotal					**503,103**	**370,659**	**2,144,231**	

Economic area City	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	No. 2 Yangqiaohu Avenue, Canglong Island, Jiangxia District, Wuhan City, Hubei Province			107,107	–	–	100.00%
		Phase I				463	–	–	
		Phase II				7,040	–	–	
		Phase III				8,832	–	–	
		Phase IV				8,993	–	–	
		Phase V				14,771	–	–	
		Phase VI				47,242	–	–	
		Phase VII				19,766	–	–	
	Chongqing	Chongqing Sunshine 100 International New Town	Nanbin Road, Nan'an District, Chongqing City			5,220	120,814	716,880	100.00%
		Phase I				5,220	–	–	
		Phase II		2018	95%	–	120,814	716,880	
		Chongqing Sunshine 100 Arles	No. 163 Yunan Road, Banan District, Chongqing City			18,502	93,631	192,474	45.00%
		Phase I				18,502	–	–	
		Phase II		2019	55%	–	93,631	136,869	
		Phase III				–	–	55,605	
	Chengdu	Chengdu Sunshine 100 Mia Centre	No. 6 Wugui Road, Chenghua District, Chengdu City, Sichuan Province			53,440	–	–	100.00%
		Phase I				26,052	–	–	
		Phase II				27,388	–	–	
		Xin Sheng Yuan Project	Keyuan South 2nd Road, High-tech Zone, Chengdu City, Sichuan Province			–	–	20,000	100.00%
	Changsha	Changsha Sunshine 100 International New Town	No. 518 Section One, 2nd South Ring Road, Yuelu District, Changsha City, Hunan Province			44,824	238,179	–	100.00%
		Phase I				6,804	–	–	
		Phase II				29,400	–	–	
		Phase III				8,220	–	–	
		Phase IV		2018	80%	400	238,179	–	
	Guilin	Guilin Sunshine 100 Lijiang Project	Pingle Town, Pingle County Guilin City, Guangxi Zhuang Autonomous Region			1,142	40,933	80,868	75.00%
		Phase I				–	529	54,121	
		Phase II		2018	97%	1,142	19,757	3,882	
		Phase III		2018	86%	–	20,647	22,865	
		Guilin Sunshine 100 Scape Project	Ertang Township, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region			–	2,336	236,722	100.00%
	Liuzhou	Liuzhou Sunshine 100 City Plaza	No. 2 Guizhong Avenue, Liuzhou City, Guangxi Zhuang Autonomous Region			45,850	–	–	75.00%
		Phase I				9,690	–	–	
		Phase II				14,316	–	–	
		Phase III				4,089	–	–	
		Phase IV				17,755	–	–	

Economic area City	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
		Liuzhou Sunshine 100 Yaobu Classic Town	No. 9 Panlong Road, Liuzhou City, Guangxi Zhuang Autonomous Region			119,428	–	–	98.75%
		Phase I				40,098	–	–	
		Phase II				10,817	–	–	
		Phase III				68,513	–	–	
	Nanning	Nanning Sunshine 100 City Plaza	No. 63–1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			22,334	–	92,230	100.00%
		Phase I				22,334	–	–	
		Phase II				–	–	92,230	
		Nanning Sunshine 100 Upper East Side International	No. 166 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			47,780	–	–	26.00%
		Nanning Vantone Air Garden	No. 80 Renmin West Road, Nanning City, Guangxi Zhuang Autonomous Region			2,751	–	–	100.00%
		Nanning Sunshine 100 Mountainside Garden	Nos. 1–2 Yinghua Road, Nanning City, Guangxi Zhuang Autonomous Region			9,851	–	–	51.00%
		Nanning Sunshine 100 Australian Garden	No. 8 Qingshan Road, Nanning City, Guangxi Zhuang Autonomous Region			518	–	–	50.00%
		Nanning Wuming Project	Education Zone, Wuming District, Nanning City, Guangxi Zhuang Autonomous Region			30,287	158,369	1,272,710	30.00%
		Phase I				30,287	–	25,856	
		Phase II		2019	10%	–	158,369	–	
		Phase III				–	–	342,860	
		Phase IV				–	–	903,994	
	Wuzhou	Wuzhou Sanqi Project	CBD, Hongling District, Wuzhou City, Guangxi Zhuang Autonomous Region			21,443	333,723	1,142,838	27.75%
		Phase I				21,443	–	–	
		Phase II		2018	84%	–	234,354	–	
		Phase III		2021	16%	–	99,369	–	
		Phase IV				–	–	115,924	
		Phase V				–	–	1,026,914	
	Lijiang	Lijiang Sunshine 100 COART Village	Kaiwen Community and Longquan Community, Shuhe Street, Lijiang City, Yunnan Province	2018	70%	27,788	32,932	135,874	51.00%
	Subtotal					**558,265**	**1,020,917**	**3,890,596**	

Economic area City	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	No. 1 Tianyi New Street, Xizhang,Yanqiao Town, Huishan District, Wuxi City, Jiangsu Province			313,068	285,565	411,044	100.00%
		Phase I				85,914	–	–	
		Phase II				64,785	–	–	
		Phase III				3,795	–	–	
		Phase IV				127,774	–	132,171	
		Phase V		2019	42%	27,588	161,692	–	
		Phase VI		2018	66%	3,212	123,873	278,873	
		Wuxi Sunshine 100 Hima Alaya Project	No. 8 of 8th Financial Street, Tai Lake New Town, Wuxi City, Jiangsu Province			–	98,364	3,930	100.00%
	Yixing	Yixing Sunshine 100 Phoenix Street	East Jiefang Road, Chengdong New District, Yixing City, Jiangsu Province			54,262	–	–	80.00%
	Wenzhou	Sunshine 100 Wenzhou Center	Binjiang Qidu, Lucheng District, Wenzhou City, Zhejiang Province			–	479,742	–	51.00%
		Phase I (C)		2018	83%	–	82,909	–	
		Phase II (A)		2021	31%	–	268,090	–	
		Phase II (B)				–	128,743	–	
		Wenzhou Sunshine 100 Arles	Yangyi Road, Lucheng District, Wenzhou City, Zhejiang Province			–	849,957	178,439	51.00%
		Phase I (A11 parcel)		2019	54%	–	227,590	–	
		Phase II (A02 parcel)		2020	8%	–	348,921	–	
		Phase II (A03 parcel)		2020	7%	–	173,112	–	
		Phase II (A05 parcel)				–	100,334	–	
		Phase II (A07 parcel)				–	–	156,054	
		Phase II (A16 parcel)				–	–	22,385	
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	East of Dongcheng Road and North of Dongfang East Road, Economic Development Zone, Changzhou City, Jiangsu Province	2019	35%	–	248,321	–	51.00%
	Subtotal					**367,330**	**1,961,949**	**593,413**	
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	N24 Area, Po Keng Lian Tai Industry City, Long Tang Town, Qing Cheng District, Qingyuan City, Guangdong Province			141,570	514,577	2,069,003	55.00%
		Phase I				27,707	–	–	
		Phase II				113,863	–	–	
		Phase III		2018	75%	–	514,577	97,156	
		Phase IV				–	–	1,971,847	
	Putian	Putian Sunshine 100 Phoenix Plaza	No. 1069, Wenxian East Road, Licheng District, Putian City, Fujian Province	2018	91%	–	337,278	–	49.00%
	Subtotal					**141,570**	**851,855**	**2,069,003**	

Economic area City	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Overseas	Saipan	Saipan Wing Beach Project	Wing Beach, Saipan Island, Northern Mariana Islands			–	–	120,000	51.00%
	Subtotal					–	–	**120,000**	
	Total					**1,570,268**	**4,205,380**	**8,817,243**	

Notes:

(1) Expected completion date and completion progress are applicable to projects under development, but not applicable to those completed or to be developed.

(2) Completion progress represents the overall completion progress as at 31 December 2017.

(3) The completed investment properties with a total GFA of approximately 479,905 square metres is excluded in this table.

(4) The self-operated commercial areas of Weifang Sunshine 100 City Plaza, Shenyang Sunshine 100 Golf Mansion and Qingyuan Sunshine 100 Arles with a total GFA of approximately 16,046 square metres, the self-operated hotels of Jinan Sunshine 100 International New Town, Liuzhou Sunshine 100 City Plaza, Yangshuo Sunshine 100 West Street Square and Shenyang Sunshine 100 Golf Mansion with a total GFA of approximately 78,392 square metres, and the sharing office space of Chengdu Sunshine 100 Mia Centre with a total GFA of approximately 5,599 square metres is not included in this table.

Investment properties

During the Reporting Period, the Group had new investment properties with a GFA of 66,503 square metres. In the meantime, the GFA of investment properties in the previous year decreased by 12,195 square metres. For the year ended 31 December 2017, the GFA of investment properties completed and under construction held by the Group was 579,304 square metres and the planned GFA of the investment properties used for future development was 120,000 square metres. Moreover, during the Reporting Period, the rental income was RMB112.7 million, representing an increase of 9.4% as compared to 2016.

Land Acquisition

During the Reporting Period, the Group paid an aggregate amount of RMB496.2 million for various land acquisitions and project acquisitions, which included the acquisition consideration of Tianjin Lijin Mansion project in the amount of RMB140.0 million, the land premium of Changzhou Sunshine 100 Zone 7 Upper East Side in the amount of RMB78.0 million and the equity transfer consideration of Wuxi Sunshine 100 Hima Alaya in the amount of RMB57.0 million.

Breakdown of the land reserves of the Group at the end of the Reporting Period was as follows:

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Bohai Rim	Weifang	1,518,897	10%	1,518,896	15%
	Shenyang	814,594	5%	748,085	7%
	Yantai	403,028	3%	403,028	4%
	Jinan	357,379	2%	175,115	2%
	Tianjin	150,866	1%	134,096	1%
	Dongying	72,624	0%	72,625	1%
	Sub-total	**3,317,388**	**21%**	**3,051,845**	**30%**
Midwest	Chongqing	1,167,148	8%	999,613	10%
	Guilin	374,422	2%	340,582	3%
	Changsha	283,002	2%	283,002	3%
	Liuzhou	277,454	2%	244,691	2%
	Nanning	1,672,849	11%	606,620	6%
	Wuzhou	1,498,004	10%	415,696	4%
	Wuhan	112,086	1%	112,086	1%
	Chengdu	98,607	1%	98,607	1%
	Lijiang	196,594	1%	100,263	1%
	Sub-total	**5,680,166**	**38%**	**3,201,160**	**31%**
Yangtze River Delta	Wenzhou	1,508,137	10%	769,150	8%
	Wuxi	1,145,440	7%	1,145,441	11%
	Changzhou	248,321	2%	126,644	1%
	Yixing	90,641	1%	72,513	1%
	Sub-total	**2,992,539**	**20%**	**2,113,748**	**21%**
Pearl River Delta	Qingyuan	2,725,462	18%	1,499,004	15%
	Putian	337,278	2%	165,266	2%
	Sub-total	**3,062,740**	**20%**	**1,664,270**	**17%**
Northern Mariana Islands	Saipan	120,000	1%	61,200	1%
	Sub-total	**120,000**	**1%**	**61,200**	**1%**
Total		**15,172,833**	**100%**	**10,092,223**	**100%**

FINANCIAL REVIEW

Financial performance

Revenue

During the Reporting Period, the Group's revenue decreased by 1.3% to RMB6,874.6 million in 2017 from RMB6,965.2 million in 2016 mainly due to the decrease in revenue generated from sale of properties of the Group.

Income from sale of properties

During the Reporting Period, revenue generated from the sale of properties decreased by 3.6% to RMB6,285.4 million in 2017 from RMB6,519.9 million in 2016, mainly due to the decrease in the GFA delivered during the Reporting Period as compared with 2016.

	For the year ended 31 December					
	Sales area *(square metres)*[(1)]		**Sales amount** *(RMB million)*[(2)]		**Unit selling price** *(RMB/square metre)*[(1)]	
Type	**2017**	2016	**2017**	2016	**2017**	2016
Residential properties	**706,823**	760,006	**4,866**	5,297	**6,884**	6,969
Commercial properties and car parks	**71,402**	40,001	**1,419**	1,223	**13,823**	18,484
Total	**778,225**	800,007	**6,285**	6,520	**7,521**	7,545
Proportion						
Residential properties	**91%**	95%	**77%**	81%		
Commercial properties and car parks	**9%**	5%	**23%**	19%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks
(2) Including car parks

Income from property management and hotel operation

During the Reporting Period, revenue generated from property management and hotel operation of the Group increased by 13.5% to RMB388.5 million in 2017 from RMB342.3 million in 2016, mainly due to an increase in the area of properties under management of the Group.

Rental income from investment properties

During the Reporting Period, rental income from investment properties of the Group increased by 9.4% to RMB112.7 million in 2017 from RMB103.0 million in 2016, mainly due to an increase in the rentable area since the Group actively adjust the positioning and types of leasing properties during the Reporting Period, which resulted in an increase in rental income.

Light-asset operation income

During the Reporting Period, the Group participated in certain complex projects by way of light-asset operation and provided property selling agency and brand-use services to the projects, thus recording light-asset operation income of RMB88.0 million.

Cost of sales

During the Reporting Period, the cost of sales of the Group decreased by 8.6% to RMB5,375.2 million in 2017 from RMB5,880.7 million in 2016. Cost of sales of properties decreased by 10.1% to RMB4,980.7 million in 2017 from RMB5,537.8 million in 2016, primarily due to the decrease in area and average cost per square meter of properties delivered during the Reporting Period as compared with 2016. Cost of property management and hotel operation increased by 8.6% to RMB372.5 million in 2017 from RMB342.9 million in 2016, primarily due to an increase in the area of properties under management of the Group. In addition, the Group incurred a cost of RMB22.0 million due to the light-asset operation.

Gross profit

As a result of the foregoing, during the Reporting Period, the Group's gross profit increased by 38.3% to RMB1,499.4 million in 2017 from RMB1,084.5 million in 2016. The Group's gross profit margin increased by 6.2 percentage points to 21.8% in 2017 from 15.6% in 2016 primarily due to an increase in the proportion of delivered properties with higher gross profit margin.

Valuation gains on investment properties

During the Reporting Period, valuation gains on investment properties of the Group were RMB789.0 million, primarily due to the transfer of certain properties under development and completed for sale to investment properties.

Selling expenses

During the Reporting Period, the Group's selling expenses decreased by 23.9% to RMB599.7 million in 2017 from RMB787.7 million in 2016, primarily due to substantial decrease in commission and advertising expenses as a result of enhanced cost control and adjustment to commission policy by the Company.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group decreased slightly by 0.3% to RMB456.7 million in 2017 from RMB458.1 million in 2016.

Finance income

During the Reporting Period, finance income of the Group increased by 204.5% to RMB417.1 million in 2017 from RMB137.0 million in 2016, mainly attributable to the fair value gain of the derivative component of the convertible bonds and the increase in interest income.

Income tax

During the Reporting Period, the income tax expenses of the Group increased by 45.1% to RMB446.9 million in 2017 from RMB308.1 million in 2016, primarily due to an increase in the profit before tax in the Reporting Period.

Profit for the year

During the Reporting Period, the profit for the year of the Group increased by 266.8% to RMB848.7 million in 2017 from RMB231.4 million in 2016.

Profit attributable to equity shareholders of the Company

Based on the above mentioned factors, the profit attributable to equity shareholders of the Company increased by 203.5% to RMB593.1 million in 2017 from RMB195.4 million in 2016.

Working capital, finance and capital resources

Cash and cash equivalents

As at 31 December 2017, the Group had approximately RMB4,654.2 million in cash and cash equivalents, representing an increase of RMB186.5 million as compared to that as at 31 December 2016, mainly due to an increase in cash collection from contracted sales.

Current ratio, gearing ratio and net gearing ratio

As at 31 December 2017, the Group's current ratio decreased to 170.5% from 177.5% as at 31 December 2016. The Group's current assets increased from RMB41,102.5 million as at 31 December 2016 to RMB42,074.9 million as at 31 December 2017, while current liabilities increased to RMB24,675.5 million as at 31 December 2017 from RMB23,156.3 million as at 31 December 2016.

As at 31 December 2017, the Group's gearing ratio (which is total loans and borrowings divided by total assets) decreased to 48.0% from 50.4% as at 31 December 2016. Net gearing ratio (which is total loans and borrowings minus cash and cash equivalents and current restricted deposits, divided by total equity) decreased by approximately 33.0 percentage points to 231.6% from 264.6% as at 31 December 2016, mainly attributable to a significant increase in the profit for the year as compared with 2016 and the completion of the placement of new shares in the Reporting Period, which resulted in an increase in the total equity as compared with 2016.

Contingent liabilities

During the Reporting Period, the Group entered into agreements with certain banks to provide guarantees for the mortgage loans of purchasers of its properties. As at 31 December 2017, the Group provided guarantees for mortgage loans in an amount of RMB6,562.9 million (31 December 2016: RMB5,774.2 million) to those banks in respect of such agreements.

Loans and borrowings and pledged assets

As at 31 December 2017, the Group had total loans and borrowings of RMB26,765.1 million, of which RMB8,823.3 million, RMB6,083.9 million, RMB9,787.7 million and RMB2,070.2 million are payable within one year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively. The Group's borrowings are denominated in Renminbi and US dollar, mostly with fixed interest rate. As at 31 December 2017, the Group had comprehensive credit facilities granted by bank and other financial institutions for an amount of RMB9,500.0 million, of which RMB8,179.1 million has not been utilized. The Group currently has no interest rate hedging policy. However, the management will monitor the interest rate risks and consider taking other necessary actions if any material risks are expected.

As at 31 December 2017, the Group had pledged properties and restricted deposits with a carrying value of RMB14,146.2 million (31 December 2016: RMB14,789.0 million) to secure banking facilities granted to the Group.

Capital commitment

As at 31 December 2017, the Group's contracted capital commitment for properties under development and investment properties under construction not provided for in the financial information was approximately RMB4,302.7 million (31 December 2016: approximately RMB3,355.9 million). Approved but not contracted for capital commitment of the Group was approximately RMB5,973.3 million as at 31 December 2017 (31 December 2016: approximately RMB5,939.0 million).

Foreign exchange exposure

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "**PBOC**") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in Renminbi, while certain bank deposits and loans are denominated in the HK dollar and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposures but may adopt hedging measures in the future.

Major investments, acquisitions and disposals

*Disposal of 80% Equity Interest in Chongqing Sunshine 100 Real Estate Development Co., Ltd. (The "**Target Company**") (A Subsidiary of the Company) and Provision of Financial Assistance by the Company to the Target Company*

On 28 June 2017, Sunshine 100 Real Estate Group Co., Ltd. (a wholly-owned subsidiary of the Company), entered into an equity transfer agreement ("**Equity Transfer Agreement**") with Shenzhen Qianhai Hangmu Investment Management Co., Ltd. and the Target Company, pursuant to which Sunshine 100 Real Estate Group Co., Ltd. has conditionally agreed to sell, and Shenzhen Qianhai Hangmu Investment Management Co., Ltd. has conditionally agreed to purchase, 80% equity interest in the Target Company for a total consideration of RMB1,544,800,000. Certain subsidiaries/affiliates of the Company (including Sunshine 100 Real Estate Group Co., Ltd.) had provided financial assistance to the Target Company in the past. As at the date of 30 April 2017, the outstanding balance of such assistance or other receivables (the "**Loans**") amounted to RMB1,851 million. Pursuant to the terms of the Equity Transfer Agreement, the parties to the Equity Transfer Agreement acknowledge that the benefit of the Loans shall be assigned to Sunshine 100 Real Estate Group Co., Ltd. and that the Loans shall have a term of 12 months from the Completion Date of the equity transfer at an interest rate of 9.0% per annum and the liabilities thereunder shall continue to be borne by the Target Company. As certain completion conditions under the Equity Transfer Agreement were not satisfied within thirty days after the entering into of the Equity Transfer Agreement, Sunshine 100 Real Estate Group Co., Ltd. exercised its right under the Equity Transfer Agreement on 29 July 2017 by issuing a letter on termination of agreement to Shenzhen Qianhai Hangmu Investment Management Co., Ltd. and the Target Company to terminate the Equity Transfer Agreement. For further details about the disposal, please refer to the announcements of the Company dated 28 June 2017 and 31 July 2017.

Subscription for Trust Units

On 14 December 2017, Sunshine 100 Real Estate Group Co., Ltd., a wholly-owned subsidiary of the Group, entered into a subscription agreement and a trust agreement with Beijing International Trust Co., Ltd. (the "**Trustee**"), pursuant to which Sunshine 100 Real Estate Group Co., Ltd. will subscribe for 786,700,000 units of Class X trust units in the Trust with a par value of RMB1 at a total consideration of RMB786,700,000 as the sole investor in Beijing Trust – Fortune No. 24 (Xi'an Napa Project) Fund Trust (the "**Trust**"). The Trustee of the Trust currently owns 89.1089% of equity interest in the Shaan'xi Jinyuan Napa Property Development Co., Ltd. (the "**Shaan'xi Napa**"), whose remaining equity interest is held by Napa Property Development Group Co., Ltd. ("**Napa Property**") and Shaan'xi Jinyuan Investment Holding Group Co., Ltd ("**Shaan'xi Jinyuan**"), respectively. Shaan'xi Napa owns the Xi'an Napa Xigu – Jiyuan Project. The Trustee shall be entitled to the guarantee by Napa Property and Shaan'xi Jinyuan in respect of making up for any shortfall. Sunshine 100 Real Estate Group Co., Ltd. shall be entitled to the relevant trust interest under the Trust. For further details, please refer to the announcements of the Company dated 14 December 2017 and 19 January 2018.

Save as disclosed above, the Company had no other major investments, acquisitions and disposals during the Reporting Period.

Future plans for substantial investments or capital assets

As at the date of this Report, there was no plan authorised by the Board for other substantial investments or additions of capital assets.

Human Resource

As at 31 December 2017, the Group employed a total of 4,439 employees (31 December 2016: 4,616 employees). The staff costs of the Group were RMB494.6 million for the year ended 31 December 2017 (2016: RMB492.0 million). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to the basic salary, year-end bonuses are offered to staff with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees' skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. We have established a regular assessment mechanism to assess the performance of our employees. The assessment results are used as the basis for determining salary increment, bonuses and promotions. As required by laws and regulations in China, we make contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of our employees in China. For the year ended 31 December 2017, we made contributions in an aggregate of approximately RMB30.5 million to the employee retirement scheme.

Age of the Group's employees is as follows:

Age	Number of employees
Below 30	1,751
30–50	2,554
Above 51	134

EVENTS AFTER THE REPORTING PERIOD

Following the issue of US$235,000,000 8.5% senior notes due 2020 on 20 September 2017, the Company further issued US$165,000,000 8.5% senior notes due 2020 on 6 February 2018 (the "**New Notes Issue**"). Such notes were secured by certain overseas subsidiaries of the Company. Haitong International Securities Company Limited ("**Haitong International**"), Orient Securities (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited ("**Guotai Junan**"), China Industrial Securities International Brokerage Ltd. ("**China Industrial Securities International**"), Yue Xiu Securities Company Limited ("**Yue Xiu Securities**") and CCB International Capital Limited were the joint global coordinators, joint lead managers and joint bookrunners in connection with the New Notes Issue. For further details, please refer to the announcements of the Company dated 6 February 2018 and 7 February 2018.

Save as disclosed above, from 31 December 2017 to the date of this report, there were no events after the Reporting Period which have material effect on the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yi Xiaodi (易小迪), aged 54, is the Chairman of the Board of Directors of the Company, the pioneer founder, an executive Director and the Chairman of the Company's nomination committee, and is in charge of the corporate strategy of the Group. Mr. Yi was appointed as an executive Director by the Company on September 20, 2007. Mr. Yi has extensive experience in the real estate development industry in China. In 1992, Mr. Yi established Guangxi Vantone Enterprise Development Company in Guangxi, which established Guangxi Vantone in 1994. He established the "Sunshine 100" brand in 2000 through the development of the Sunshine 100 International Apartment project (陽光100國際公寓) in Beijing. He received an award for being a leader in real estate innovation in Beijing (北京地產創新領袖人物) from sina.com (新浪網) in 2003, an award for being one of China's influential persons during China's 10 years of transformation (改變中國十年影響力人物) by the Asian Living Environment Association (亞洲人居環境協會) and the Economic Observer (經濟觀察報) in 2004, an award for his outstanding contributions to creating a living environment in China (中國人居環境傑出貢獻人物榮譽稱號) by the China Real Estate and Residential Housing Research Association (中國房地產及住宅研究會) and the Chinese Environmental Protection Fund (中華環境保護基金會) in 2005, an award for outstanding contribution to the creation of value in cities in China (創造城市價值中國地產年度卓越貢獻人物) by the Chinese Living Environment Committee (中國人居環境委員會) in 2006, an award named him a Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會), an award for special contribution for 2009 China urban commercial value (2009中國城市商業價值特殊貢獻人物) by China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the International Real Estate Federation (國際不動產行業聯盟), an award named him an Influential Person of 2009 Lanchou Real Estate (2009年度藍籌地產影響力人物) by Lanchou Real Estate Media (藍籌地產傳媒) and Sina Leju (新浪樂居), an award for being one of the most respected entrepreneur of China in 2012 (2012年中國最受尊敬企業家) by Hurun Report (胡潤百富) and an award for being one of the top 10 annual persons in 2009 China brand real estate (2009品牌中國房地產十大年度人物) by China Brand Union Association (品牌中國產業聯盟) and China Real Estate Chamber of Commerce (全國工商聯房地產商會), and the "Special Promoting Award"on the 14th Venice Architectural Biennale-paralleled with the first exhibition in Chinese Cities Hall (第十四屆威尼斯建築雙年展平行展暨中國城市館首展) in June 2014. Mr. Yi was appointed the lecturer for the outstanding alumni's series report course (《優秀校友系列報告》) from September 2006 to July 2011 by the Alumni Association of (北京師範大學校友會) Beijing Normal University. He was the vice executive chairman for the second session of the Guangxi Chamber of Commerce in Beijing (北京廣西企業商會) and a member of the Entrepreneurial Forum of Sohu (搜狐企業家論壇). He obtained a bachelor of science degree in geography from Beijing Normal University (北京師範大學) in July 1986 and a master's degree in economics from Renmin University of China (中國人民大學) in October 1989.

Mr. Fan Xiaochong (范小冲), aged 53, is an executive Director appointed by the Company on 20 September 2007. Mr. Fan was appointed as the Vice Chairman of the Board of Directors of the Company on 25 August 2016. He assists Mr. Yi Xiaodi in formulating the corporate strategies of the Group, takes charge of the development of the cultural creativity-based economy (新經濟文創) of the Company and provides assistance in respect of land acquisition, human resources and other matters of the Company. Since the establishment of Guangxi Vantone in 1994, Mr. Fan was engaged in the business and corporate strategy development of the Group. He was the deputy general manager of Guangxi Vantone from 1992 to 2003, the deputy general manager of Beijing Yinxin Guanghua Real Estate Development Co., Ltd. from 1999 to 2003, and has been the executive vice-president of Sunshine 100 Group from 2003 to August 2016. He received an award named Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會) and an award for outstanding contribution to China real estate (中國地產傑出貢獻人物獎) in 2010 by the Chinese Association of Urban Development and Public Relationship (中國城市發展暨公共關係協會). Mr. Fan obtained a bachelor of science degree in geography and a master of science degree in regional geography from Beijing Normal University (北京師範大學) in July 1986 and July 1989, respectively.

Non-executive Directors

Ms. Fan Xiaohua (范曉華), aged 75, is a non-executive Director appointed by the Company on 20 September 2007. Ms. Fan joined the Group as a member of the senior management of Guangxi Vantone in 1994. She has been the director of the Group since August 2005 and was involved in the decision-making process and supervised internal audit of the Company. Ms. Fan served as head of the technology department, the deputy factory director and the factory director of Guangxi Nanning Chinese Medicine Pharmaceutical Factory (廣西南寧中藥廠) from 1979 to 1990, the chief deputy general manager of Nanning Pharmaceutical Group (南寧製藥企業集團) from 1991 to 1993 and has been the chairman and general manager of Guangxi Vantone Pharmaceutical Co., Ltd. (廣西萬通製藥有限公司) since 1993. Ms. Fan enjoys the life-long special allowance (終身享受國務院特殊津貼) which is an award granted by the State Council for experts and scholars who have outstanding contribution since 1993. She was honored as one of "Second Batch of Top Professional Talents in Nanning" (南寧市第二批專業技術拔尖人才) between 1991 and 1993. She obtained a bachelor's degree in medicine from Nanjing Pharmacy College (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) in August 1967.

Mr. Wang Gongquan (王功權), aged 56, was appointed as a non-executive director of the Company on 1 August 2015. Mr. Wang served as a partner of IDG Technology Venture Investments, LP (IDG技術創業投資基金) from 1999 to 2005, the managing partner and senior partner of Beijing Dinghui Venture Investment Advisory Company Limited (北京鼎暉創新投資顧問有限公司) from 2005 to 2011, and an independent director of China Digital TV Holding Co., Ltd. (中華數位電視控股有限公司), a company listed on the New York Stock Exchange (NYSE: STV) from 2007 to 2010. Mr. Wang obtained a bachelor's degree in engineering with major in management engineering from Jilin University of Technology (吉林工業大學) (currently known as Jilin University (吉林大學)) in 1984.

Independent Non-executive Directors

Mr. Gu Yunchang (顧雲昌), aged 73, was appointed as our independent non-executive Director on 17 February 2014. Mr. Gu currently serves as the executive chairman of the National Real Estate Business Alliance and the deputy director of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development and had also been the secretary-general of the China Real Estate Association from 1998 to 2006 and the vice president of the China Real Estate Research Association from 2006 to 2013.

Mr. Gu formerly served at different positions in the Ministry of Construction of the PRC, including the deputy director at Policy Research Centre of Ministry of Construction from 1988 to 1998; and the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction from 1982 to 1986.

Mr. Gu engaged in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of China's city and village residential construction techniques, carrying on a State key project "2000 China", and won the First Class National Science Technology Advance Award in China twice. After joining the China Real Estate Association in 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the national real estate market. He is also the main organizer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu was an independent non-executive director of Shimao Property Holdings Limited (SEHK stock code: 813) from April 2006 to May 2011. Mr. Gu has been the independent non-executive director of Sino-Ocean Land Holdings Limited (SEHK stock code: 3377) from June 2007 to March 2016 , CIFI Holdings (Group) Co. Ltd. (SEHK stock code: 884) since October 2012 and Jiayuan International Group Limited (SEHK stock code: 2768) since February 2016. Mr. Gu has also been the independent director of COFCO Property (Group) Co., Ltd.(SZSE stock code: 000031) since April 2012, Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375) since May 2013. Mr. Gu obtained his qualification as a senior urban planner in April 1988 and qualification as a researcher specializing in residence and real estate in December 1999, both of which were certified by the Ministry of Construction. Mr. Gu graduated from Tongji University and obtained a graduate certificate in Urban Planning in July 1966.

Directors and Senior Management

Mr. Ng Fook Ai, Victor (黃博愛), aged 70, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Ng is the chairman of 1 Rockstead GIP Fund Limited and managed a number of China focused funds, including China Growth Opportunities Limited, a £50 million UK-listed fund that focuses on private equity investments in China. Mr. Ng has been a director and the chairman of audit committee of Asia Power Corporation Limited, a company listed on the main board of the Singapore Stock Exchange, the chairman and a member of audit committee of Devotion Energy Group Limited, a company listed on the main board of the Singapore Stock Exchange, and My E.G. Services Bhd, a company listed on the main board of Bursa Malaysia, since 1999, 2004 and 2008, respectively. Mr. Ng has been an independent director and the chairman of audit and risk committee of SB Reit Management Pte Ltd., a company listed on the main board of the Singapore Stock Exchange, since May 2015. In August 2014, he was appointed as a director of SHC Capital Asia Limited, a company listed in Singapore, and was re-appointed in April 2015. He has been a director of Futsalarena@Yishun Limited, a company limited by guarantee established in Singapore, and an independent director and the chairman of audit committee of Cityneon Holdings Limited, a company listed in Singapore, since April and June 2016, respectively. Since January 2017, He has acted as the chairman of the board of directors of Caregiver Group Pte Ltd, a private limited company established in Singapore, and of SGMA Association Ltd, a non-profit company limited by guarantee established in Singapore. Mr. Ng has acted as a director of Sun Resources Holdings Pte Ltd., a private company limited established in Singapore, Star Publications (Singapore) Pte Ltd., a private company limited established in Singapore, and LI TV Asia Pte Ltd, since July 2017, August 2017 and September 2017, respectively. In August 2017, Mr. Ng resigned as a non-executive director of Cityneon Holdings Limited (stock code: 5HJ), a company of a listed company in Singapore. In December 2017, Mr. Ng resigned as an independent non-executive director of SHC Capital Asia Limited and was appointed as a director of The Place Holdings Limited in January 2018. Mr. Ng obtained a bachelor's degree in economics and a master's degree in economics from the University of London in 1976 and 1978, respectively. Mr. Ng is a fellow of the Chartered Management Institute, United Kingdom.

Mr. Wang Bo (王波), aged 59, was appointed as an independent non-executive director of the Company on 1 August 2015. Mr. Wang served as a researcher in the 1989 World Bank Annual Report team in 1988, and a researcher in the Financial Policy and Systems Division of the World Bank from 1988 to 1994. He worked at the investment management department of China Securities Market Research and Design Center (中國證券市場研究設計中心投資管理部) from 1994 to 1995, and served as the chief economist of Vantone Group (萬通集團) and Beijing Vantone Industrial Co., Ltd. (北京萬通實業股份有限公司) from 1995 to 1997. From 1997 to 2014, he worked at Accenture (China) Co., Ltd. (埃森哲(中國)有限公司) and successively served as, inter alia, a management consulting manager, a senior manager, a global partner of Accenture, the general manager of management consulting of Greater China, the managing director of the government and medical business department of Greater China and the managing director of Greater China. Mr. Wang is a permanent director of China Mergers & Acquisitions Association (中國併購公會) and had served as an executive director of China Mergers & Acquisitions Association, the vice chairman of the China Enterprise Confederation Management Advisory Committee (中國企業聯合會管理諮詢委員會) and the chairman of the appraisal committee of "China M&A Awards" (中國併購專項獎). Mr. Wang obtained a bachelor's degree in economics with major in fiscal and financial studies from the School of Finance of Renmin University of China (中國人民大學財政系) in 1984 and a master's degree in economics with major in financial theory and international economics from Department of Economics of the American University (美利堅大學經濟系) in the United States in 1993.

SENIOR MANAGEMENT

Mr. Lin Shaozhou (林少洲), aged 50, the Chief Executive Officer of the Group. Mr. Lin joined the Group in February 2016 and served as the vice president of the Group and the general manager of Chongqing New Town project and Chongqing Banan project. He has served as the Chief Operating Officer of the Group from April to August 2016 and the Chief Executive Officer of the Group since August 2016. Prior to joining the Group, Mr. Lin joined Wanke Group (萬科集團) in April 1991 and served as the director of the research office of Wanke Group from March 1992 to December 1994, the deputy general manager of Shanghai Wanke Real Estate Company (上海萬科房地產公司) from December 1994 to November 1996 and served as the general manager of Beijing Wanke Real Estate Company (北京萬科房地產公司) from November 1996 to January 2000. Mr. Lin served as chairman of Beijing Houtu Real Estate Development Co., Ltd (北京厚土房地產開發有限公司) from September 2002 to August 2016. Mr. Lin obtained the Bachelor in Social Science from Peking University in July 1989.

Mr. Chen Shengjie (陳勝傑), aged 56, is the Chief Financial Officer and responsible for the Group's financial affairs. Mr. Chen joined the Group prior to the end of December 2017. Mr. Chen served as the deputy head of the Commerce and Trade Audit Department (商貿司) under the National Audit Office of the People's Republic of China from 1986 to 1993, the assistant to general manager of China National Nonferrous Materials Corporation (中國有色金屬材料總公司) from 1993 to 1998, the chief accountant of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from 1998 to 2004, the general manager of China Chengtong Resources Recycling Development & Utilization Company (中國誠通資源再生開發利用公司) from 2004 to 2014, an executive director of Yunfeng Financial Group Limited (雲鋒金融集團有限公司) (formerly known as Reorient Group Limited (瑞東集團有限公司)) from 2011 to 2014, the chairman of Zhongchang Big Data Corporation Limited (中昌大數據股份有限公司, formerly known as Zhongchang Marine Company Limited (中昌海運股份有限公司)) from 2014 to 2015. Mr. Chen graduated from Beijing Finance & Trade College with an undergraduate degree in business management and obtained an Executive Master of Business Administration from Tsinghua University.

Mr. Ding Gong (丁工), aged 50, is the vice president and is responsible for branding, marketing and popularization of the Group. He joined the Group in September 2003 as the assistant to the project general manager of Nanning Sunshine 100 City Plaza project and was appointed as the manager of promotion department of the Group in July 2005, the manager of brand development department of the Group in January 2008, the brand director of the Group in February 2010, the assistant to the chief executive officer from September 2011 to May 2017 and the vice president of the Group in May 2017. Prior to joining the Group, Mr. Ding was a tutor at Guangxi Nanning College of Education (廣西南寧教育學院) from October 1989 to January 1992 and a correspondent of Guangxi Nanning Radio Station (廣西南寧電台) from January 1992 to January 2003. Mr. Ding obtained a bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in July 1989.

Directors and Senior Management

Mr. He Jie (賀傑), aged 56, is the Assistant to the President, Chief Legal Officer and Joint Company Secretary of the Group. He is responsible for the Group's legal, administrative and information technology affairs. Mr. He joined the Group in June 2004 as legal counsel and deputy director general of the administrative office. He was appointed as administrative director general and legal counsel in January 2008, assistant to the president and chief legal officer in January 2014 and Joint Company Secretary on 17 March 2017. Before joining the Group, Mr. He worked at Beijing Chongwen First Law Firm (北京崇文第一法律事務所) in economic, civil, patent and other practice areas as well as acting as corporate legal counsel from 1992 to 1993. He served as the vice chairman and general manager of Beijing Fubu International Economic Consulting Services Ltd. (北京服部國際經濟諮詢服務有限公司) from August 1993 to May 1996. Mr. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1984 and then studied at the Graduate School of Salem State College, Massachusetts, U.S. from September 2002 to July 2003.

Mr. Mo Qingpan (莫輕潘), aged 49, is the general manager of Southern China Project Management Centre. Mr. Mo joined the Group in March 2002 as the manager of construction department of Ji'nan Sunshine 100 International New Town project. He was appointed as the assistant to general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the general manager of Nanning Sunshine 100 Upper East Side International project in August 2005, the general manager of Guilin Sunshine 100 project in June 2009 and the general manager of Shenyang Sunshine 100 International New Town project and the general manager of Northern China Project Management Centre in February 2010. From May 2011 to August 2012, he also was the general manager of Yantai Sunshine 100 City Plaza Project. He served as the general manager of Southern China Project Management Centre since July 2015 and of Guilin project from February 2016 to 11 March 2017, respectively. Prior to joining the Group, Mr. Mo worked for Bureau of Culture Affairs of Guangxi Heng County (廣西橫縣文化局) from August 1989 to November 1991 and People's Government of Guangxi Heng County Nanxiang Township (廣西橫縣南鄉鎮人民政府) from December 1991 to May 1993. He was the deputy director of People's Government of Guangxi Heng County (廣西橫縣人民政府辦公室) from July 1993 to November 1993 and the director of Administrative Office of Culture and Market of Guangxi Heng County (廣西橫縣文化市場管理辦公室) from December 1993 to November 1994 and the office director of Guangxi Institute of Fisheries (廣西水產研究所) from August 1996 to November 2001. Mr. Mo obtained a bachelor's degree in Chinese language and literature from Central University of Nationalities (中央民族大學) (formerly known as Central Institute of Nationalities (中央民族學院)) in June 1989. He also completed his undergraduate studies in politics and law at the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in December 1998.

Mr. Wu Lei (吳雷), aged 46, is the General Manager of the Central-South China Project Management Centre, Wuhan project, Taihu new project (太湖新項目) and Wenzhou City Company (溫州城市公司). Mr. Wu joined the Group in June 2002 as the manager of procurement department of Nanning Sunshine 100 City Plaza project and was appointed as the assistant to the general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the assistant to the general manager of Changsha Sunshine 100 International New Town project in January 2004, the general manager of Changsha Sunshine 100 International New Town project in April 2009 and the deputy general manager of Central-South China Project Management Centre in December 2011. He served as the General Manager of Yixing project, Chengdu project, Wuhan project and Taihu new project since February 2016, March 2016, July 2016 and March 2017, respectively. Mr. Wu was appointed as the General Manager of Wenzhou City Company in February 2018. Mr. Wu completed his undergraduate studies from Hubei University (湖北大學) in June 1997 and completed the advanced training courses in real estate innovative management from Tsinghua University (清華大學) in April 2009. He received a certificate as a mid-level financial analyst (中級金融師) from the Ministry of Personnel, PRC (中華人民共和國人事部) in November 2001. Mr. Wu Lei is the son of Ms. Fan, a non-executive Director of the Company.

Mr. Chen Meng (陳夢), aged 55, is Vice-President of the Group. Mr. Chen joined the Group as the executive director of Nanning Sunshine 100 Australian Garden in December 1998. He was appointed as the general manager of Ji'nan Sunshine 100 International New Town project in January 2002, the general manager of Southern China Project Management Centre in September 2009, and the vice president of the Group since September 2010. Prior to joining the Group, Mr. Chen had served as a division head of Nanning Third Construction and Installation Co., Ltd. (南寧市三建建築安裝工程有限責任公司) from January 1991 to July 1992 and the chairman and general manager of Nanning Oriental Garden Property Co., Ltd. (南寧東方園物業有限責任公司) from October 1996 to November 1998. Mr. Chen obtained a professional diploma from University of South China (南華大學) (formerly known as Hunan Hengyang Technology Institute (湖南衡陽工學院) in July 1987.

Mr. Xu Lianyi (徐聯義), aged 45, was the Chief Financial Officer and the Assistant to the President. Mr. Xu joined the Group as the Audit Director of Sunshine 100 Group in 2007. He acted as the Chief Accountant of Sunshine 100 Group from March 2011 to December 2015, the Assistant to the President since December 2015 and the Chief Financial Officer of the Group since 18 March 2017. Prior to joining the Group, Mr. Xu worked at Hainan Hong Kong and Macaw International Trust Investment Co., Ltd. (海南港澳國際信託投資有限公司) from July 1994 to September 1995 and served as project manager at Shenzhen Xingmeng Accounting Firm (深圳興蒙會計師事務所) from November 1995 to June 1997, project manager at Beijing Jingdu Certified Public Accountants (北京京都會計師事務所) from February 1998 to August 2001, senior manager at PricewaterhouseCoopers (普華永道中天會計師事務所) from September 2001 to October 2007. Mr. Xu graduated from Central University of Finance and Economics and obtained college diploma in taxation. Mr. Xu possesses professional qualifications of Chinese Certified Public Accountant and Chinese Certified Tax Agent. Mr. Xu resigned by the end of December 2017.

Mr. Xie Jun (解君), aged 50, is the chairman of Property Holding Company (物業總公司). Mr. Xie joined the Group as the General Manager of Guangxi Vantone Market (廣西萬通商場) in 2000. He acted as the deputy general manager of Jinan project from September 2001 to December 2002, the deputy general manager of Tianjin project from January 2003 to October 2003, the Marketing Director of Sunshine 100 Group from March 2007 to August 2007, the deputy general manager of Wuxi project from August 2007 to May 2011, the deputy general manager of Yantai Yindu Real Estate Co., Ltd. from May 2011 to March 2012, the general manager and chairman of Dongying project from March 2012 to March 2015, Mr. Xie served as the general manager of Jinan project from January 2013 to May 2017 and of Northern China Project Management Center (華北項目管理中心) from July 2015 to January 2018. Mr. Xie has served as the chairman of Property Holding Company since January 2018. Prior to joining the Group, Mr. Xie worked at the Planning Office of Hainan Province (海南省計劃廳工作) from 1990 to 1992 and served as the department manager of Beihai Ocean Company (北海大洋公司) from 1992 to 1995. Mr. Xie graduated from Changzhou Vocational Institute of Engineering and obtained college diploma in Engineering and Electric in July 1989 and attended MBA course at Tianjin Nankai University since September 2014.

JOINT COMPANY SECRETARY

Mr. He Jie (賀傑) was appointed as Joint Company Secretary of the Group on 17 March 2017. For the biography of Mr. He, please refer to the sub-section headed "Senior Management" above.

Dr. Ngai Wai Fung (魏偉峰), aged 56, is the Joint Company Secretary of the Company. Dr. Ngai is a director and chief executive officer of SW Corporate Services Group Limited. Dr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Dr. Ngai obtained a master's degree in business administration from Andrews University in Michigan in August 1992, a bachelor's degree in law from University of Wolverhampton in the United Kingdom in October 1994, a master's degree in corporate finance from Hong Kong Polytechnic University in November 2002 and a doctoral degree in finance from Shanghai University of Finance and Economics in June 2011.

Report of the Directors

The board of directors (the "**Board**") of the Company is pleased to present the directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 20 September 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the "**Companies Law**"). The Company's shares (the "**Shares**")became listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 March 2014 ("**Listing Date**") (the "**Listing**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in property and land development, property investment and property management and hotel operation in China. An analysis of the Group's revenue for the year by principal activities is set out in note 2 to the financial statements.

The fair review, major risks and uncertainties in relation to the businesses of the Group, the performance of the Group during the year and the discussion and analysis on significant factors in relation to results and financial conditions are set out in the Chairman's Statement, Financial Review and Business Review of this annual report, respectively. The future development of the Group's businesses is discussed in different parts of this annual report, including the Chairman's Statement and the chapters regarding significant investments or capital assets of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on pages 113 to 114 of this annual report.

SUBSIDIARIES

Details of the subsidiaries as at 31 December 2017 are set out in note 12 to the financial statements.

FINAL DIVIDENDS

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

FINANCIAL SUMMARY

A financial summary of the Group's results, assets and liabilities for the last five financial years are set out on pages 12 to 13 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$1,876.1 million. As at 31 December 2017, all proceeds raised have been applied in the manner consistent with that disclosed in the Company's prospectus dated 27 February 2014 (the "**Prospectus**").

USE OF NET PROCEEDS FROM ISSUE OF CONVERTIBLE BONDS

The Company issued US$200,000,000 in principal amount of 6.50% convertible bonds due 2021 on 11 August 2016 ("**2016 Convertible Bonds**"). The net proceeds from issue of 2016 Convertible Bonds were US$197.6 million which had all been used for refinancing of existing indebtedness and general corporate purposes as at the date of this report.

The conversion price, originally at HK$3.69, shall be adjusted to HK$3.66 pursuant to condition 6(C)(vi) of the terms and conditions as a result of the issue of 235,055,000 new subscription shares to the subscriber at a price of HK$3.10 per subscription share on 28 December 2017 pursuant to the subscription agreement.

As at 31 December 2017, unpaid principal amount for 2016 Convertible Bonds was US$199,200,000. As calculated based on the conversion price of 2016 Convertible Bonds at HK$3.66 per share, a maximum of 422,157,049 Shares will be allotted and issued if the conversion rights attached to 2016 Convertible Bonds are fully exercised, representing approximately 16.16% of the then issued share capital of the Company on 31 December 2017 and approximately 13.91% of the issued share capital of the Company enlarged by the shares issued upon conversion of 2016 Convertible Bonds. The directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the directors approved by shareholders at the annual general meeting of the Company held on 26 June 2017.

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company:

	31 December 2017		Upon conversion of the 2016 Convertible Bonds at the conversion price of HK$3.66 per share	
Substantial shareholders	**Number of shares**	**Approximate percentage of issued shares**	**Number of shares**	**Approximate percentage of issued shares**
Joywise Holdings Limited	1,381,375,012	52.89%	1,381,375,012	45.53%
Beyond Steady Limited	235,055,000	9.00%	235,055,000	7.75%
Central New Ventures Limited	214,355,000	8.21%	214,355,000	7.07%
CITIC Securities Company Limited	159,039,357	6.09%	159,039,357	5.24%

As calculated based on profit and diluted profit attributable to equity shareholders of the Company of approximately RMB593,093,000 and RMB516,318,000 for the year ended 31 December 2017, basic and diluted earnings per share of the Company amounted to RMB0.25 and RMB0.18, respectively.

On 31 December 2017, the Group recorded net assets of RMB9,162,333,000, net current assets of RMB17,399,399,000 and cash and cash equivalents of RMB4,654,189,000. So far as the Company is concerned, based on the financial positions of the Group, it is expected that the Company is able to meet its redemption obligations under the issued 2016 Convertible Bonds whose conversion rights are not yet exercised.

Based on the implied internal rate of returns of 2016 Convertible Bonds, the Company's share prices at future dates at which it would be equally financially advantageous for the bonds holders to convert 2016 Convertible Bonds or have them redeemed were as follows:

Date	**Share price** *(HK$)*
31 December 2018	4.05 per share
11 August 2019 (on which the Company will redeem the whole or part of bonds held by any bonds holders at their option at 106.67% of the principal amount and interest accrued as of such date)	3.90 per share

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the principal risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risk areas outlined below. Besides, this report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Policy and market risk

Substantially all of the Group's property portfolio is located in the PRC and all of the Group's revenue is derived from the PRC. As such, the Group is therefore subject to the risks associated with China's real estate market. The Group's operations in the PRC may be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

In order to better respond to the opportunities and challenges from the changes in policies, the Group maintained close communication with relevant authorities and carried out in-depth study on the policy direction. In addition to maintain growth by accelerating the development of existing products, in view that China has now started entering a mature period of real estate development, the proportion of sales from non-residential real estate products gradually picks up and governmental policies also shows greater support for the operation of rental housing and commercial properties, the Group will accelerating transformation by increasing the proportions of two core products, i.e. Commercial Street Complex and Hima Alaya Apartments, to fully capture the market opportunities.

Operation risk

The Group's operation is subject to a number of risk factors distinctive to property development and property related businesses. Default on the part of its buyers, tenants, sub-tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the Group's operational results and reputation.

The Group set up systems and policies to prevent accidents. In particular, various systems were established for management of quality, progress, safety, material and cost of project development with project management staff of regional and front-line companies monitoring project progress, construction quality and work site on a real-time basis. It conducted strict assessment on suppliers and implemented stringent control on construction changes, improved construction safety protection measures and set specific assessment indicators.

Capital risk

Property development is capital intensive. The Group finances its land acquisitions and property developments through a combination of internally generated funds and external financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the conditions of the financial markets and economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business operations and financial condition of the Group.

Under the current challenging financial condition, the Group strengthened the centralized capital management to ensure the capital safety. We emphasized on active sales and timely return on investment and ensured reasonable investment based on the operation and financing plans, thereby achieving dynamic equilibrium of cash flow. Meanwhile, the Group also expanded and diversified the financing channels, actively facilitated financial innovation, consolidated financial resources and established an effective ecosystem of financial cooperation so as to respond to the market risk and meet the capital requirements for the Group's development.

Foreign currency risk

The Group mainly operates in the PRC and conducts its operations mainly in Renminbi. The Group closely monitored the fluctuations of the Renminbi exchange rate and gave prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2017, the Group had not engaged in hedging activities for managing foreign currency risk.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, purchases from the Group's five largest suppliers accounted for 13.6% (2016: 10.9%)of the Group's total purchases and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

For the year ended 31 December 2017, the Group's sales to its five largest customers accounted for 1.0% (2016: 2.3%) of the Group's total revenue and the five largest customers of the Group accounted for less than 30% of the Group's revenue in the year.

None of the directors of the Company (the "**Directors**")or any of their associates or any shareholders of the Company (the "**Shareholders**")(who, to the best of the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RELATIONSHIP WITH CLIENTS AND SUPPLIERS

We are committed to maintaining sound relationship with customers and improving their satisfaction. By providing training and putting forward strict requirements, our frontline receptionists, sales persons, and property management personnel, etc. are able to continuously promote the level of communication and service for customers. Also, we keep focusing on user experience, collect and respond to customers' feedback and therefore the Company and its brand remain to be highly recommended among customers.

We have adopted a just, fair and transparent purchasing system which enables us to obtain competitive price and terms and to avoid the impact of changes in prices of other regions or items. In general, we may purchase raw materials from different local suppliers, and we may obtain all sorts of raw materials from different sources to impair our reliance on one supplier. The time of payment provided by suppliers is subject to various factors, including our relationship with suppliers and the transaction scale.

The Group has a diversified customer base, majority of which are individual property buyers. The Directors consider that the Group is not reliant on any single customer. The largest supplier of the Group engages in property construction, with which the Group has had business relationship for over 8 years.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 31 December 2017 are set out in note 10 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Company and the Group during the year ended 31 December 2017 are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital for the year ended 31 December 2017 are set out in note 23(c) to the financial statements.

From 1 January 2017 to the date of this annual report, details of movements of share capital of the Company are as follows:

Pursuant to the subscription agreement dated 18 December 2017 of the Company, Beyond Steady Limited, a wholly-owned subsidiary of Huarong International Financial Holdings Limited, agreed to subscribe for a total of 235,055,000 new shares ("**New Shares**") issued by the Company at the subscription price at a price of HK$3.10 per subscription share. As all the conditions of the subscription agreement dated 28 December 2017 have been fulfilled, New Shares have been allotted and issued to the subscriber according to the terms and conditions of the subscription agreement. The subscription did not increase the Company's authorized capital. For details about the subscription, please refer to the announcements dated 18 December 2017 and 28 December 2017 of the Company.

The net proceeds from the subscription, after deduction of all relevant expenses (including but not limited to legal expenses and disbursements) incidental to the subscription of approximately HK$12,000,000, are estimated to be approximately HK$716,670,500, representing a net issue price of approximately HK$3.05 per subscription share. The net proceeds from the subscription were fully applied as general working capital of the Group to repay loans, to develop new real estate-related businesses and for general corporate purposes (including property development and project acquisition) in accordance with proposed use of proceeds.

PROFESSIONAL TAX ADVICE RECOMMENDED

The Shareholders of the Company are advised to seek professional advice if they are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2017 are set out on page 117 in the consolidated statement of changes in equity and in note 23(d) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, details of the reserves available for distribution of the Company are set out in Note 23(a) to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2017 are set out in note 20 to the financial statements.

DIRECTORS

The Directors from 1 January 2017 up to the date of this annual report were:

Executive Directors:

Mr. Yi Xiaodi *(Chairman) (appointed on 20 September 2007, and re-elected on 26 June 2017)*
Mr. Fan Xiaochong *(Vice Chairman) (appointed on 20 September 2007, and re-elected on 26 June 2017)*

Non-executive Directors:

Ms. Fan Xiaohua *(appointed on 20 September 2007, and re-elected on 28 June 2016)*
Mr. Wang Gongquan *(appointed on 1 August 2015, and re-elected on 28 June 2016)*

Independent non-executive Directors:

Mr. Gu Yunchang *(appointed on 17 February 2014, and re-elected on 28 June 2016)*
Mr. Ng Fook Ai, Victor *(appointed on 17 February 2014, and re-elected on 26 June 2017)*
Mr. Wang Bo *(appointed on 1 August 2015, and re-elected on 28 June 2016)*

According to articles 84(1) and 84(2) of the articles of association of the Company (the "**Articles of Association**"), Ms. Fan Xiaohua, Mr. Gu Yunchang and Mr. Wang Bo will retire from office, and being eligible, have been recommended by the Board for re-election as Directors at the forthcoming Annual General Meeting ("**AGM**") to be held on 25 June 2018. The proposals of the re-election of the aforementioned Directors will be put forward at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 31 to 38 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2017, the Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors for the period from 1 January 2017 up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

None of the Directors has entered into any service contract with the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

For the details of the service contracts and the appointment letters of each of the Directors, please see the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' SIGNIFICANT INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

A remuneration committee of the Board (the "**Remuneration Committee**")was set up for reviewing the Group's emolument policy and remuneration structure of all the directors and senior management of the Group, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions in the Group.

The Company has adopted a share option scheme (the "**Share Option Scheme**")as incentive to eligible participants, details of which are set out in the sub-section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 6 and 7 to the financial statements.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2017.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

From 1 January 2017 and up to the date of this annual report, change in the information that is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules was as follows:

Mr. Ng Fook Ai, Victor

Mr. Ng Fook Ai, Victor was appointed as the chairman of the board of directors of Caregiver Group Pte Ltd (a private limited company established in Singapore) and SGMA Association Ltd (a non-profit company limited by guarantee established in Singapore) on January 2017.

Mr. Ng Fook Ai, Victor was appointed as a director of Sun Resources Holdings Pte Ltd. (a private company established in Singapore) on 20 July 2017.

Mr. Ng Fook Ai, Victor resigned as a director of Cityneon Holdings Limited (a company listed on the Singapore Exchange (Stock Code: 5HJ)) on 11 August 2017.

Mr. Ng Fook Ai, Victor was appointed as a director of Star Publications (Singapore) Pte Ltd. (a private company established in Singapore) on 16 August 2017.

Mr. Ng Fook Ai, Victor was appointed as a director of LI TV Asia Pte Ltd on 13 September 2017.

Mr. Ng Fook Ai, Victor was appointed as an independent non-executive director of SHC Capital Asia Limited on 26 December 2017.

Mr. Ng Fook Ai, Victor was appointed as a director of The Place Holdings Limited on 31 January 2018.

Save as disclosed above, there is no other information in respect of the Directors and the Chief Executive Officer required to be disclosed under Rule 13.51B(1) of the Listing Rules.

RELATIONSHIP WITH EMPLOYEES

We believe that employees are the most valuable asset of the Group, and our human resources management aims to recognise and give back to our employees' contribution. By means of providing competitive remuneration and implementing appraisal system with appropriate incentives as well as providing adequate training and opportunities, we endeavor to promote the career development of the Group's employees. Approximately 169 employees have been serving for the Group for over 10 years.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"))(i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Interests in the Company

Name of Director	Capacities in which interests are held	Interests in Shares	Approximate percentage of issued share capital of the Company	Notes
Yi Xiaodi	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 2 and 3
Fan Xiaochong	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 2 and 4
Fan Xiaohua	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 2 and 5

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) 40% of the issued share capital of Joywise is held by Ming Fai International Limited ("**Ming Fai**") and 60% of the issued share capital of Joywise is held by Harvest Well Holdings Limited ("**Harvest Well**"). Both Ming Fai and Harvest Well are deemed under the SFO to be interested in the Shares held by Joywise. 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

(3) Mr. Yi Xiaodi is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Yi Xiaodi, his family members and other persons who may join in from time to time (the "**Yi Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantastic Magician Limited is interested in.

Mr. Yi Xiaodi is also one of the founders of the discretionary investment collective trust established by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng, Mr. Li Mingqiang (the "**Individual Controlling Shareholders**"), the discretionary beneficiaries of which are the Individual Controlling Shareholders and other persons who may join in from time to time (the "**Sunshine Trust I**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Yi Xiaodi is one of the parties to each of the concert party agreement dated 12 August 2010 entered into between Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua and Mr. Liao Chimei (the "**2010 Agreement**") and the concert party agreement dated 1 August 2013 entered into among the Individual Controlling Shareholders (the "**2013 Agreement**"). By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Yi Xiaodi is deemed under the SFO to be interested in the Shares held by Joywise.

(4) Mr. Fan Xiaochong is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Fan Xiaochong, his family members and other persons who may join in from time to time (the "**FXC Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which True Passion Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of the Sunshine Trust I. By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of a discretionary collective trust established by the Individual Controlling Shareholders, the discretionary beneficiaries of which are three persons and other persons who may join in from time to time (the "**Sunshine Trust II**"). By virtue of the SFO, he is deemed to be interested in the Shares which Floral Crystal Limited is interested in.

Mr. Fan Xiaochong is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Fan Xiaochong is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Ms. Fan Xiaohua is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Fan Xiaohua, his family members and other persons who may join in from time to time (the "**FXH Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Glorious Glory Limited is interested in.

Ms. Fan Xiaohua is also one of the founders of the Sunshine Trust I. By virtue of the SFO, she is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Ms. Fan Xiaohua is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Ms. Fan Xiaohua is deemed under the SFO to be interested in the Shares held by Joywise.

(ii) Interests in associated corporations

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in Shares	Percentage of shareholding	Notes
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	3
Yi Xiaodi	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	4
Fan Xiaochong	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	5
Fan Xiaohua	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	6
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	3

Notes:

(1) Please refer to Note 3 in the sub-section above headed "(i) Interest in the Company".

(2) Please refer to Note 4 in the sub-section above headed "(i) Interest in the Company".

(3) Please refer to Note 5 in the sub-section above headed "(i) Interest in the Company".

(4) Please refer to Notes 2 and 3 in the sub-section above headed "(i) Interest in the Company".

(5) Please refer to Notes 2 and 4 in the sub-section above headed "(i) Interest in the Company".

(6) Please refer to Notes 2 and 5 in the sub-section above headed "(i) Interest in the Company".

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other corporate body.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, to the best knowledge of the Directors, the following persons (each not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Joywise	Beneficial owner	1,381,375,012 (L)	52.89%	1
Ming Fai	Interest of a controlled corporation	1,381,375,012 (L)	52.89%	1, 2
Harvest Well	Interest of a controlled corporation	1,381,375,012 (L)	52.89%	1, 3
Fantasy Races Limited	Interest of a controlled corporation	1,381,375,012 (L)	52.89%	1, 4
Jin Xiangfei	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 5
Liu Chaohui	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 6
Tian Feng	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 7
Li Mingqiang	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	52.89%	1, 8
Cititrust Private Trust (Cayman) Limited	Trustee Interest of a controlled corporation	1,381,375,012 (L)	52.89%	1, 9
Beyond Steady Limited	Beneficial owner	235,055,000 (L)	9.00%	1, 10
	Person having a security interest in shares	324,335,000 (L)	12.42%	1, 10

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Huarong International Financial Holdings Limited	Interest of a controlled corporation	559,390,000 (L)	21.42%	1, 10
China Huarong Asset Management Co., Ltd.	Interest of a controlled corporation	559,390,000 (L)	21.42%	1, 10
CITIC Securities Company Limited	Interest of a controlled corporation	159,039,357 (L) 155,958,400 (S)	6.69% 6.56%	1, 11
Central New Ventures Limited	Beneficial owner	214,355,000 (L)	8.21%	1, 12
Shanghai Libo Investment Center (LP)	Interest of a controlled corporation	214,355,000 (L)	8.21%	1, 12
Beijing Fudingxin Investment and Management Co., Ltd.	Interest of a controlled corporation	214,355,000 (L)	8.21%	1, 12
FDH PE Investment Fund Management (Tianjin) Co., Ltd.	Interest of a controlled corporation	214,355,000 (L)	8.21%	1, 12

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The Letter "S" denotes the person's short position in the Shares.

(2) 40% of the issued share capital of Joywise is held by Ming Fai. Ming Fai is deemed under the SFO to be interested in the Shares held by Joywise.

(3) 60% of the issued share capital of Joywise is held by Harvest Well. Harvest Well is deemed to be interested in the Shares held by Joywise under the SFO.

(4) 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited.

In light of the above and notes 2 and 3, Fantasy Races Limited is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Mr. Jin Xiangfei is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Jin Xiangfei, his family members and other persons who may join in from time to time (the "**Jin Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Creative Goal Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in.

In light of the above and the other notes, Mr. Jin Xiangfei is deemed to be interested in the Shares held by Joywise under the SFO.

(6) Ms. Liu Chaohui is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Liu Chaohui, her family members and other persons who may join in from time to time (the "**Liu Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Butterfly Fairy Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Ms. Liu Chaohui is one of the parties to the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to that agreement are interested in.

In light of the above and the other notes, Ms. Liu Chaohui is deemed under the SFO to be interested in the Shares held by Joywise.

(7) Mr. Tian Feng is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Tian Feng, his family members and other persons who may join in from time to time (the "**Tian Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Happy Sunshine Limited is interested in.

Mr. Tian Feng is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Tian Feng is deemed under the SFO to be interested in the Shares held by Joywise.

(8) Mr. Li Mingqiang is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Li Mingqiang, his family members and other persons who may join in from time to time (the "**Li Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Ultimate Triumph Investments Limited is interested in.

Mr. Li Mingqiang is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Li Mingqiang is deemed to be interested in the Shares held by Joywise under the SFO.

(9) Cititrust Private Trust (Cayman) Limited (the "**Trustee**") is the trustee under the Yi Family Trust, the FXC Family Trust, the FXH Family Trust, the Jin Family Trust, the Tian Family Trust, the Liu Family Trust, the Li Family Trust, the Sunshine Trust I and the Sunshine Trust II. For details of these trusts, see "History, Reorganization and Group Structure – Establishment of Offshore Trusts" from page 121 to page 122 of the Prospectus ("**Prospectus**").

In light of the above and notes 2 and 3, the Trustee is deemed to be interested in the Shares held by Joywise under the SFO.

(10) 100% of the equity interests of Beyond Steady Limited are directly or indirectly held by Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. respectively. Therefore, Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. are deemed to be interested in the Shares held by Beyond Steady Limited under the SFO.

(11) 100% of the equity interests of CSI Capital Management Limited are indirectly held by CITIC Securities Company Limited. Therefore, CITIC Securities Company Limited is deemed to be interested in the Shares held by CSI Capital Management Limited under the SFO.

(12) Shanghai Libo Investment Center (LP), Beijing Fudingxin Investment and Management Co., Ltd. (北京富鼎信投資管理有限公司) and FDH PE Investment Fund Management (Tianjin) Co., Ltd. (富鼎和股權投資基金管理天津有限公司) are deemed to be interested in the Shares held by Central New Ventures Limited under the SFO.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No controlling shareholders (as defined in the Listing Rules) or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

On 20 September 2017, the Company, overseas subsidiaries providing guarantees for the US$235,000,000 8.5% senior notes due 27 September 2020 (the "**Notes**") and the initial purchasers (including Haitong International, CMBC Securities Company Limited ("**CMBC Capital**"), China Industrial Securities International, Guotai Junan, Zhongtai International Securities Limited ("**Zhongtai International**") and Yue Xiu Securities entered into a subscription agreement in relation to the issue of the Notes. Haitong International, CMBC Capital, China Industrial Securities International and Guotai Junan are the joint global coordinators and Haitong International, CMBC Capital, China Industrial Securities International, Guotai Junan, Zhongtai International and Yue Xiu Securities were the joint lead managers and joint bookrunners in connection with the issue of the Notes. At any time on or after 27 September 2019, the Company may redeem the Notes, in whole or in part, at a redemption price of 104.25% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. The Notes was listed on The Singapore Exchange Securities Trading Limited on 28 September 2017. For details, please refer to the announcements of the Company dated 20 September 2017 and 21 September 2017.

On 18 December 2017, the Company entered into a subscription agreement with Beyond Steady Limited, a wholly owned subsidiary of Huarong International Financial Holdings Limited, pursuant to which, the Company agreed to allot and issue and Beyond Steady Limited agreed to subscribe for, a total of 235,055,000 new subscription shares at the price of HKD3.10 per subscription share (the "**Share Subscription**"). The Share Subscription was completed on 28 December 2017. For details, please refer to the announcements of the Company dated 18 December 2017 and 28 December 2017.

Save as disclosed above, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

Each of the Individual Controlling Shareholders, Joywise, Ming Fai, Harvest Well (together with the Individual Controlling Shareholders, the "**Controlling Shareholders**") has, under the deed of non-competition dated 17 February 2014 (the "**Deed of Non-Competition**"), undertaken and covenanted with the Company that for so long as they and/or their respective associates (as defined in the Listing Rules), directly or indirectly, whether individually or taken together, remain the Controlling Shareholders of the Company, each of them will not, and will procure his associates not to directly or indirectly, (including through any controlled company, associate, corporate body, partnership, joint venture or other contractual arrangement) carry on, engage, invest, participate or otherwise be interested in the property development business in the PRC.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition for disclosure in this annual report during the year ended 31 December 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors (other than independent non-executive Directors) or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competed or might compete with the businesses of the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, there were no connected transactions entered into by the Group which were required to be disclosed in this annual report.

The Group engages in property development in China, which is a business operation that requires external funding. In addition to traditional bank loans, developers in China may obtain other funding from trust finance companies by pledging their equity interests in project companies and lands. As at 31 December 2017, the Group had entered into certain lending facility arrangements with connected persons in the ordinary course of business. Such lending facility arrangements involved the provision of financial assistance by connected persons which are not exempt from the requirements in relation to connected transactions under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules and are required to be disclosed in this annual report in compliance with the conditions of waivers previously granted by the Stock Exchange. For details of such arrangements, please see paragraphs 16 to 17 under the section headed "Connected Transactions" in the Prospectus.

A summary of significant related party transactions, which do not constitute (or are fully exempt) connected transactions or continuing connected transactions, made during the year ended 31 December 2017 is disclosed in note 27 to the financial statements.

LITIGATION RELATED TO CHENGDU PRIMARY LAND DEVELOPMENT PROJECT

In 2005 and 2007, the Group entered into a series of co-operation framework agreements with local government authorities of Chenghua District, Chengdu to conduct primary development of a parcel of land located in the district. Pursuant to these framework agreements, the Group was responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It was agreed that if the land is sold at a premium greater than the cost we have incurred to prepare it and if we win the bid at the auction, we will be entitled to deduct our incurred cost from the land premium to be paid; if, however, another developer wins the bid at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to us (after deduction of an agreed fixed amount as the government's share of the profit from the land sale).

The project consists of four phases with site areas of approximately 244,361 square metres, 59,967 square metres, 14,667 square metres and 109,334 square metres respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The land premium was paid to the Chenghua district government in 2008, and it began to make payments to us pursuant to the framework agreements with us. We cumulatively received approximately RMB1,927.0 million from the Chenghua district government out of such land premium proceeds. A remaining land premiums that we are entitled to, in the amount of RMB581.1 million, however, remained unpaid and stayed on our balance sheet as an overdue trade receivable.

On 28 January 2015, the Group commenced proceedings in the High People's Court of Sichuan Province against the People's Government of Chenghua district, Chengdu and Reconstruction and Development Office of Dangerous Buildings of Chenghua District, Chengdu (成都成華區危房改造開發辦公室) for a payment of such land premiums (land clearance income) and fees of RMB15 million, which totaled RMB596.1 million. On 10 February 2015, the Company is informed that the High People's Court of Sichuan Province has accepted the case. As at June 2015, the High People's Court of Sichuan Province commenced the court session for the case but it was still underway as at the date of this annual report. The Company will publish relevant announcements on the website of the Stock Exchange and the Company's website when there is any material development in respect of the case.

PROGRESS OF INVESTMENT IN THE TRUST UNITS ISSUED BY BEIJING INTERNATIONAL TRUST CO., LTD. (THE "TRUSTEE")

As at the date of this annual report, apart from RMB110,000,000 referred to in the supplemental announcement dated 19 January 2018, the Group paid no additional subscription money to the Trustee for Class X trust units in the Fortune No. 24 (Xi'an Napa Project) Fund Trust (the "**Trust**") it distributed. Moreover, the Group had not exercised any of its rights under relevant transaction documents, including revising the articles of association of the target company, delegating directors, supervisors and chief financial officers in the target company, etc. A meeting concerning the status of the Trust was held by the Company and the Trustee following the subscription for the Class X trust units in the Trust. Agreement has been reached between both parties that the Trustee should be responsible for procuring the target company to adjust its senior management in due course depending on the circumstances and communicating with the government to accelerate the progress of the project development.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 17 February 2014.

1. Purpose

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers, distributors and agents to the Company or any of its subsidiaries; and

(iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to the Company as the consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

3. **Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (as defined in the Prospectus), being 200,000,000 Shares.

4. **Maximum number of options to any one individual**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

5. **Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at less the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

6. **Granting options to connected persons**

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

7. Restrictions on the times of grant of options

A grant of options may not be made when inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for annual, half-year, quarterly or other interim period (whether or not required under the Listing Rules);

(ii) the deadline for the Company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules: and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be),

and no options shall be granted where the grant of options is to a Director:

(iii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

8. Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

9. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the Shares in issue on the date of Listing. The Company may at any time refresh such limit subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

As at the date of this annual report, no option under the Share Option Scheme has been granted by the Company. The total number of 200,000,000 shares are available for issue under the Share Option Scheme as at the date of this annual report, representing approximately 7.66% of the shares of the Company in issue as at the date of this annual report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company has not entered into any other equity-linked agreements.

ENVIRONMENT POLICIES AND PERFORMANCE

It is enterprise social responsibility to promote sustainable development and conservation to the environment. We commit ourselves to saving power and carrying out company affairs in sustainable ways so as to minimize our impact on the environment.

The Group has been implementing the idea of energy saving and pollution prevention, taking active actions (such as conserving water and power and reducing pollution and emission in the process of construction) and formulating emergency and controlling procedures as prevention measures against unexpected environmental pollutions. For details, please refer to the section headed Environmental, Social and Governance Report in this annual report.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Law, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, auditor or other officer of the Company, other than for any matter in respect of any fraud or dishonesty which may attach to any such persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year in respect of any legal liabilities which may be assumed by the Directors and officers in the execution and discharge of their duties or in relation thereto.

COMPLIANCE WITH LAWS AND REGULATIONS WHICH HAVE SIGNIFICANT EFFECT ON THE COMPANY

The Group is operated principally by subsidiaries of the Company in the PRC which itself is listed on the Stock Exchange. Our operation is subject to the relevant laws and regulations of the PRC and Hong Kong. For the year ended 31 December 2017 and up to the date of this annual report, we have complied with all the relevant laws and regulations of the PRC and Hong Kong in all material respects.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group made charitable donations of approximately RMB0.15 million.

POST BALANCE SHEET EVENTS

Events after the Reporting Period of the Group are set out in the sub-section "Events after the Reporting Period" of Management Discussion and Analysis on page 14 to 30 of this annual report.

Save as foregoing, the Group has no material post balance sheet events which are required to be disclosed in the audited financial statements.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has adopted and complied with all the applicable provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for the deviations from Code Provisions A.1.1 which are described in further details in the section headed "Corporate Governance Report" in this annual report. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 63 to 75 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 20 June 2018 to Monday, 25 June 2018 (both days inclusive), during which no share transfer will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents together with the relevant share certificate must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 19 June 2018 for registration.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirements of the Listing Rules for the year ended 31 December 2017.

AUDITOR

KPMG has acted as auditor of the Company for the year ended 31 December 2017.

KPMG shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Yi Xiaodi
Chairman and Executive Director

Beijing, the PRC, 28 March 2018

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. For the year ended 31 December 2017, the Company has adopted and complied with all applicable code provisions (the "**Code Provisions**") under the CG Code, except the following deviation:

Code Provision A.1.1 of the CG Code stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Company held only two regular board meetings to review and discuss the annual and interim results. The Company does not announce its quarterly results, and the Company's business, operation and management have been conducted properly under the management and supervision of the executive Directors.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises two executive Directors, namely Mr. Yi Xiaodi and Mr. Fan Xiaochong, two non-executive Directors, namely Ms. Fan Xiaohua, Mr. Wang Gongquan and three independent non-executive Directors, namely Mr. Gu Yunchang, Mr. Ng Fook Ai, Victor and Mr. Wang Bo. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Since 1 January 2017 up to the date of this annual report, the Board at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, which represents at least one-third of the Board, one independent non-executive Director, namely Mr. Ng Fook Ai, Victor, is equipped with appropriate professional qualifications or adequate accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Save as disclosed in the biographies of the Directors as set out under the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Diversity of the Board

In order to enhance the efficiency of the Board and corporate governance standard of the Company, the Board should maintain a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and confirm the progress on achieving such objectives.

As regards the Code Provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors will disclose their commitments to the Company annually.

Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors have provided their training records to the Company.

Chairman and Chief Executive Officer

Under the current organization structure of the Company, Mr. Yi Xiaodi is the Chairman of the Board and Mr. Lin Shaozhou is the Chief Executive Officer. The Chairman leads the Board and is responsible for formulating corporate and business strategies and making major corporations and operations decisions. The Chief Executive Officer focuses on the business development and is responsible for the daily operation and management. He is also taking part in formulating and implementing the overall corporate and business strategy. Their respective responsibilities are clearly defined and set out in writing.

Appointment, Re-Election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company under which he has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. On 1 March 2017, each of the executive Directors has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Ms. Fan Xiaohua, a non-executive Director, has entered into a service contract with the Company under which she agreed to act as a non-executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either Ms. Fan or the Company. On 1 March 2017, Ms. Fan has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Gongquan, a non-executive Director, has entered into a service contract with the Company under which he agreed to act as a non-executive Director for a term of three years commencing from 1 August 2015, which may be terminated by not less than three months' notice in writing served by either Mr. Wang or the Company.

Mr. Gu Yunchang and Mr. Ng Fook Ai, Victor, the independent non-executive Directors, have signed an appointment letter with the Company for a term of three years with effect from the Listing Date. On 13 March 2017, each of Mr. Gu and Mr. Ng has entered into new appointment letter with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Bo, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years with effect from 1 August 2015.

In accordance with the Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company but every Director is subject to retirement by rotation at least once every three years and, being eligible, can offer himself for re-election at the annual general meeting. Any new Director appointed by the Board to fill a causal vacancy is subject to re-election by the Shareholders at the first annual general meeting of the Company after appointment. Any new Director appointed as an addition to the Board is subject to re-election by Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting For other meetings of the Board and the Board Committees, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or members of the relevant Board Committees at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of the relevant Board Committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Sufficient details of the matters considered, decisions reached and concerns raised by any Directors are recorded in the minutes of the meetings of the Board and Board Committees. Draft minutes of each meeting of the Board or Board Committees are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, 2 Board meetings were held and the attendance is set out in the table below:

	2016 Annual Results	**2017 Interim Results**
Executive Directors		
Mr. Yi Xiaodi	✓	✓
Mr. Fan Xiaochong	✓	✓
Non-executive Directors		
Ms. Fan Xiaohua	✓	✓
Mr. Wang Gongquan	✓	✓
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

During the Reporting Period, apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

Delegation by the Board

The Board reserves its rights of decision over all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters Directors have the option to obtain independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions are entered into by the management.

Corporate Governance Functions

The Board recognizes that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include the following:

- to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Yi Xiaodi (chairman), Mr. Gu Yunchang and Mr. Wang Bo, and the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

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

- to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

- to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

The Nomination Committee will assess the candidate or the incumbent on criteria such as skills, knowledge, experience and diversity of perspectives. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

In 2017, after review, the Nomination Committee took the view that the appointment of the Directors meets with the Board Diversity Policy and the Board Diversity Policy need not be revised.

During the Reporting Period, 1 meeting was held by the Nomination Committee and the attendances are set out in the table below:

	2016 Annual Results
Executive Director	
Mr. Yi Xiaodi	✓
Independent non-executive Directors	
Mr. Gu Yunchang	✓
Mr. Wang Bo	✓

✓ represents attending the meeting

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Bo (chairman), Mr. Fan Xiaochong and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include but not limited to the following:

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

- either: (i) to determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; and

- to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

The Remuneration Committee is also responsible for ensuring that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration, whose remuneration will be determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, 1 meeting was held by the Remuneration Committee and the attendances are set out in the table below:

	2016 Annual Results
Executive Director	
Mr. Fan Xiaochong	✓
Independent non-executive Directors	
Mr. Gu Yunchang	✓
Mr. Wang Bo	✓

✓ represents attending the meeting

Details of the remuneration by band of the 9 members of the senior management of the Company, whose biographies are set out on pages 35 to 37 of this annual report, for the year ended 31 December 2017 are set out below:

Remuneration band (RMB'000)	Number of Individuals
Below 1,000	3
1,000 to 2,000	4
2,001 to 3,000	2
3,001 to 4,000	0

Audit Committee

The Audit Committee comprises all the three independent non-executive Directors namely, Mr. Ng Fook Ai, Victor (chairman), Mr. Wang Bo and Mr. Gu Yunchang. The main duties of the Audit Committee include the following:

- to deal with the relationship with the Company's external auditors;
- to review the Company's financial information;
- to oversee the Company's financial reporting system, risk management and internal control procedures; and
- to perform the Company's corporate governance functions.

During the Reporting Period, 2 meetings were held by the Audit Committee and the attendances are set out in the table below:

	2016 Annual Results	2017 Interim Results
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

The Audit Committee reviewed the financial control system, crisis management, risk management and internal control processes, discussed with the management with regard to the risk management and internal control systems and assessed their effectiveness considering the factors including the adequacy of resources for financial reporting, staff qualifications and experience, training programmes and the budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed the state of the Company's corporate governance against the criteria set out in the CG Code and considered the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The members of the Audit Committee also reviewed the preliminary results of the Company and its subsidiaries for the year ended 31 December 2017 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control and other matters.

The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 105 to 112 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks to be assumed by the Company in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in management and overseeing the formulation, implementation and supervision of the risk management and internal control systems.

The Board confirms that, through the Audit Committee, it has reviewed the effectiveness of the Group's system of risk management and internal control for the year ended 31 December 2017.

The risk management and internal control of the Group are conducted through the departments daily operation, including a sound corporate structure and defined terms of reference, such as authorization approval, validation, and segregation of duties. By reference to any changes in the external environment and the Company's business development mode, the management and the officers of key competent departments will jointly continue to assess major risks and the possibility of their occurrence, to provide solutions and monitor the progress of risk management. The Company also actively carry out the informatization construction, including the continuous optimization of collaborative office system (OA/Portal), Oracle accounting system, Hyperion budget system and customer relationship management system (CRM), and provide timely and accurate data to the management to strengthen the Company's risk control in decision-making.

In addition, we seek to proactively identify any concerns and issues relating to potential non-compliance by providing training (organized by our administrative and legal department) to the management of all departments regarding the need for preventive and self-check measures, ensuring that all applicable laws and regulations are complied and material internal control deficiency is identified and addressed timely. In the meantime, the direct supervision departments or our management would inspect relevant departments on a regular or irregular basis and conduct internal control assessment regularly to identify risks that have potential impact on the business and all aspects (including key operational and financial processes, regulatory compliance and information security) of the Group.

The management monitored the assessment of risk management and internal control and have reported/confirmed to the Board and the Audit Committee on the effectiveness of risk management and internal control systems for the year ended 31 December 2017.

The Group has established an employee reporting channel including email account and telephone hotline through which an employee can report potential non-compliance exposures and raise concerns over possible improper behaviors in financial reporting, internal control or other aspects, so that we could promptly detect problems and undertake corrective measures.

The Group has developed its disclosure policy and process which specifies in detail the process and monitoring measures to assess, handle and disclose potential inside information, including notify the relevant Directors and employees about the blackout period and restriction in security trading.

The Group has set up an internal audit department, conducting independent review of the adequacy and effectiveness of the risk management and internal control systems. Internal audit department examines key issues in relation to the accounting practices and all material controls and provides its findings and recommendations for improvement to the Audit Committee.

The Audit Committee confirmed that it has reviewed the effectiveness of risk management and internal control systems of the Company according to its term of reference since 1 January 2017 and is of the view that the risk management and internal control systems are effective and adequate. The Audit Committee will continue to conduct regular review on risk management and internal control systems in the future.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and considered that, for the year ended 31 December 2017, the risk management and internal control systems of the Company are effective and adequate.

AUDITOR'S REMUNERATION

Service fees paid/payable by the Group to KPMG, the external auditor, for the year ended 31 December 2017 is set out as follows:

Service rendered	RMB'000
Audit services:	
Annual audit	4,450
Review of the interim financial report	1,500
Others	1,850
Total	7,800

JOINT COMPANY SECRETARIES

In order to uphold good corporate governance and ensure compliance with the Listing Rules, the Company engaged Dr. Ngai Wai Fung ("**Dr. Ngai**"), a director and chief executive officer of SW Corporate Services Group Limited (a corporate service provider) and Mr. He Jie (賀傑)("**Mr. He**"), the assistant to the president and chief legal officer of the Group, as its joint company secretaries for the year ended 31 December 2017. Dr. Ngai and Mr. He are responsible for advising the Board on corporate governance matters and ensuring that the Board complies with the applicable policies and procedures, and the applicable laws, rules and regulations. The primary contact person of the Company is Mr. He, a joint company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, Dr. Ngai and Mr. He have undertaken not less than 15 hours of relevant professional training in the year ended 31 December 2017.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The primary contact person of the Company is Mr. Chen Shengjie, the chief financial officer of the Company.

The AGM of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the Chairman of the Board Committees of the Company will attend the AGM to answer shareholders' questions. The external auditor of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.ss100.com.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

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

Calling Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to Article 58 of the Articles of Association.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition; and such meeting shall be held within two (2) months after such requisition.

Such requisition shall be made in writing to the Board or the joint company secretaries of the Company by the following channels:

Address: 18/F, Tesbury Centre,
28 Queen Road East,
Wanchai, Hong Kong
Email： ir@ss100.com.cn

If within 21 days of such requisition 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.

As regards to how to nominate a person to stand for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (email address: ir@ss100.com.cn).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was adopted by the Board on 17 February 2014 and became effective on the Listing Date. A copy of the Articles of Association is available on the websites of the Company and the Stock Exchange. During the period from 1 January 2017 up to the date of this annual report, there was no significant change in constitutional documents of the Company.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Environmental, Social and Governance ("**ESG**") Report published by Sunshine 100 China Holdings Ltd (the"**Company**") presents the performance and achievement made in terms of the environment and the society by the Company and its subsidiaries (collectively the "**Group**" or "**we**"). The ESG Report details the principles, commitments and efforts of the Group, supplemented by specific cases, in carrying out the environmental and social policies, as well as fulfilling the principle of sustainable development. We report our performance in good faith and with due diligence and we promise to continuously make improvements in data disclosure and report writing.

The Board of Directors shall assume sole responsibility for the environmental, social and governance strategies and reporting of the Company and is liable to assess and determine the Company's environmental, social and governance risks and ensure the establishment of appropriate and effective system for the management and internal control of environmental, social and governance risks. The Board of Directors and the Directors hereby warrant that there are no false records, misleading statements or material omissions contained in this report and they will bear joint and several liabilities for the authenticity, accuracy and completeness of the contents herein.

Scope of the Report

The ESG Report covers the environmental and social performance of the Group for the period between 1 January 2017 and 31 December 2017 (the "**Reporting Period**"). The environmental KPIs as disclosed in the ESG Report are based on the performance of the Group's headquarter and the offices used in major projects during the Reporting Period, which include two offices in Wenzhou and one in Wuxi, Shenyang, Qingyuan and Chongqing respectively (collectively the "**Offices**"). The Group will extend its disclosure to other offices in a gradual manner. For details of corporate governance, please refer to the corporate governance report on pages 63 to 75 of the Company's annual report.

Reporting Standard

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Stakeholder Engagement

The engagement of our employees from different departments of the Group helps us recognize our sustainability performance. The diligently collected and carefully analyzed data underscores not only the Group's sustainable initiatives for the Reporting Period, but also the Group's short-term and long-term sustainability strategy. The Group will continue to increase the involvement of stakeholders via constructive conversation with a view to charting a course for long term prosperity.

Information and Feedbacks

For details of the environmental, social and corporate governance of the Group, please refer to the official website (www.ss100.com.cn). Your opinions are highly valued. If you have any advice or suggestions, please feel free to contact the Company:

Sunshine100 China Holdings Limited
18th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Email: ir@ss100.com.cn

OUR VISION OF SUSTAINABLE DEVELOPMENT

The Group has always perceived the responsibility of environment, society and governance as a part of our genes. By adopting top-down approaches, we endeavor to reach or even outperform the requirements of applicable laws and regulations. To be specific, we have introduced the following management objectives of sustainable development which penetrate all levels and aspects of our operation in order to deliver benefits to the society:

- **Abide by industrial standards to grow with the industry**

  We uphold the philosophy of operation in good faith, comply with the business principles in the industry and strictly implement the rules and regulations on corporate social responsibilities.

- **Respect the value of talents to grow with our employees**

  We are devoted to bringing in and providing trainings to talents who are fit for the Group's corporate culture and share the same values with us. We strive to introduce long-term and stable talent development strategies.

- **Adopt safety measures and environmental protection to grow in harmony with nature**

  We actively guide all parties of the Group to practise the principle of green development and harmonious coexistence of human and the nature, accomplish real-time monitoring and improvement, as well as fulfill the responsibility of environmental protection.

- **Provide value-added services to grow with our customers**

  We ratchet up the level of quality management and customer services, step up cultural activities in community, and further improve our reputation among target customers.

OUR ENVIRONMENT

Property development is a business that results in a variety of environmental impacts especially during the construction stage, thus we put focus on protecting our environment. As all our construction work is outsourced to reliable contractors, the Group's environmental impacts have been minimized. We managed to factor the environment into our decision-making process, business management and corporate culture, therefore, impacts resulted from the Group's daily operation were also effectively reduced. The Group also integrates the concept of environmental protection, from energy saving to green development, into its products and services. We are also dedicated to raising the awareness of environmental protection of our business partners and the society as a whole.

The Group strictly complies with relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China ("**PRC**") and the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste.* We uphold the following commitments to environmental protection and fulfill our environmental responsibility in both property development and daily operations of the Group.

- Comply with relevant requirements of environmental protection laws
- Reduce construction waste
- Save energy
- Reduce negative impacts on the environment and natural resources
- Study and design green buildings

Emissions

As a responsible property developer, the Group is dedicated to controlling and minimizing our emission in a bid to alleviate environmental problems such as global warming. Since we have outsourced the construction work of property development, operation of back offices is the only source of emission of the Group.

While there is no water emission from our Offices, our daily operation does generate air pollutants due to the use of vehicles and the combustion of fuels at stationary sources such as gas stove and water heater.

Air pollutants emission of the Offices during the Reporting Period:

Type	Weight *(g)*
NOx	**84,823**
SOx	**1,059**
Particulate Matter (PM)	**6,554**

On the other hand, greenhouse gases are also emitted not only from the use of vehicles, but also the use of electricity, heating, water and sewage treatment, disposal of paper to landfill, use of refrigerant as well as business trips by staff. During the Reporting Period, the Offices have emitted in total 3,876 tones (in CO_2 equivalent emission) and on average 6.15 tones (in CO_2 equivalent emission)/employee of greenhouse gases.

Waste is also a major emission from the daily operation of the Group which includes both hazardous and non-hazardous waste. During the Reporting Period, the Offices have generated non-hazardous waste consisting of daily office garbage and food waste from canteens. Besides, hazardous waste including ink cartridges and batteries were also generated. All hazardous and non-hazardous wastes were collected and handled in a proper and legal manner by qualified parties so as to avoid detrimental impacts to the environment.

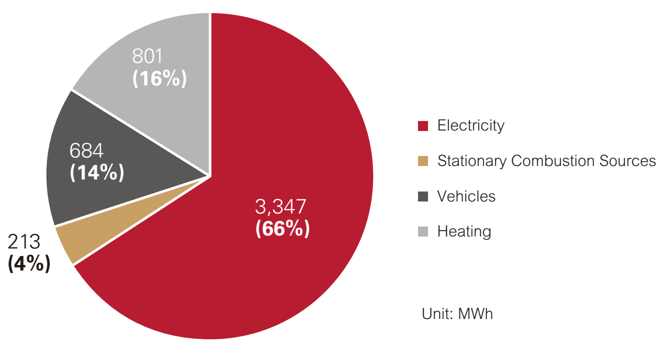
Waste generated by the Offices during the Reporting Period:

Type	**Weight** *(kg)*	**Intensity** *(kg/employee)*[1]
Non-hazardous Waste	**34,612**	**54.94**
Hazardous Waste	**193**	**0.31**

Energy and Resources

The use of resources can reflect an enterprise's ecological footprint, for example, energy consumption which requires the generation of electricity would result in an indirect emission of greenhouse gases. Therefore, proper and effective management on the use of energy and resources is an important aspect regarding environmental protection. The Group's principal business is property development and its production and operation process does not involve the use of packaging materials. Therefore, the indicator of consumption of packaging materials is not applicable. During the Reporting Period, the total energy consumption of the Offices was 5,045 MWh and the average consumption was 8.01 MWh/employee[1]. Apart from energy, the Offices have also consumed in total 40,920 m^3 and on average 64.95 m^3/employee of water during the Reporting Period[1].

Energy Consumption by Type:



[1] The intensity calculated is based on the total number of employees of the Offices, not the Group.

Green Office Operation

To get emission management and resources conservation into perspective, we have adopted a plenty of measures in an effort to reduce our resources consumption and greenhouse gas emission. In the office area, we replace traditional inductive ballasts and incandescent lamps with electronic ballasts and energy-saving light-emitting diode ("LED") lamps which have much longer service lives, thereby help saving electricity up to 70%. Meanwhile, we have installed timers on switches which can control power supply for the entire company according to the working hours. Employees are also able to manually control the power supply for their work if necessary. Besides, the Group requires employees to turn off the lighting and air conditioners around their stations before leaving from work. Brightness of computer monitors is also appropriately adjusted so as to save energy and at the same time protect the eyes of employees.

In the course of reconstructing the office area, we have used not only environmentally-friendly materials to effectively control total volatile organic compounds and formaldehyde but also installed new energy-saving air-conditioning system to replace traditional air-conditioners in order to reduce PM2.5 indoors. Meanwhile, we have installed new sunshade curtains for large glass windows in the office area to avoid heat loss hence saving energy. Moreover, we encourage our staff to turn off air conditioning 15 minutes before getting off work so that energy can be saved without affecting the work indoors.

As a mean to cut down on the emission of air pollutants and greenhouse gases from the use of vehicles, we have installed charging piles in our parking lot to promote the use of electric vehicles. We also encourage our staff to travel by public transport in a bid to reduce carbon footprint.

Adding to energy conservation are the measures implemented for paper saving. The Group advocates waste paper recycling and the use of recycled paper and double-sided paper as far as practicable. We strongly promote paperless office and capitalize on electronic office in handling documents. Recycled-paper pencils are also produced and used through the cooperation with pencil manufacturers. It is our conviction that saving paper in every aspect is the best way to protect the forest and our environment.

Conservation of water is also of paramount importance from the Group's perspective as water is a precious resource to everyone. We raise the awareness of our staff on water saving by putting up water saving reminder labels in toilets. Furthermore, the Group endeavors to advocate the reduction of food waste that our canteens purchase appropriate amount of ingredients every time and food are cooked in accordance with the number of staff every time so that food waste can be minimized.

Project Management

Planning and designing stage

Grasping the possible impacts of a project on the environment and society in advance helps us identify potential obstacles at the initial stage of development so that solutions can be made as early as at the stage of designing. Therefore, in the planning stage, we conduct analysis and feasibility study on a project from its financial and technical prospective, wherein the environmental benefits are also considered. Before construction of an approved project, we submit environmental report, environmental impact statement and environmental impact registration form (collectively the "**Environmental Impact Assessment Documents**") of the project to the local environmental protection authority for approval. Besides, we strictly conform to the applicable standards on air pollution, noise as well as sewage and waste discharge as approved by the government throughout the construction period, and take such standards into consideration in the overall design, construction and operation of the project plan. Integration of the human living environment and the natural environment has long been our planning and designing focus, which could in turn maximally reduce the damage to or transformation of the original planting and vegetation.

In addition, we enlarge the proportion of fine-decorated houses in each project at the stage of designing to reduce material waste, noise pollution and other secondary pollution caused by owners' decoration after delivery of roughcast houses. For example, we launched an array of fine decoration standards in the projects in Chongqing, Wuxi and Qingyuan as options for customers, while certain soft decoration such as wooden flooring, sanitary ware and kitchen appliances were purchased in a centralized manner.

Supplier bid solicitation stage

Our property project development involves a large number of contractors and suppliers. In an attempt to foster their improvement in the aspect of sustainable development, we take into account the performance regarding environmental protection when selecting partners. Moreover, we also encourage our partners to employ eco-friendly equipment and facilities and adopt or develop new technologies in this regard. For details, please refer to "Our operation – supply chain management" below.

Construction and acceptance stage

As a way to avoid environmental pollution arising from construction, the Group requires our contractors to take effective measures including but not limited to the actions as follows:

1. Set up temporary barriers and strictly limit working time; introduce soundproofing measures on noisy machines such as mixers, air compressors and woodworking machines to subdue and reduce possible noises arose during construction.

2. Set up fences made of hard materials around the construction site, harden the main roads and keep the roads clean; clean the garbage and dregs in time; place washing facilities at the exits of site to wash transport vehicles and their ledges when they leave the site; store or seal the building materials such as cement and lime that may produce fugitive dust pollution in compliance with the government's requirement of "fugitive dust pollution control".

3. Keep the site clean, prohibit sewage from flowing to its vicinity and forbid accumulation of waste within the construction site and the surrounding areas; avoid the discharge of sewage into any public sewage pipes, drain pipes, waterways, rivers or sea waters without the written consent of relevant local authorities.

4. Do not use any materials or construction methods in any temporary or permanent projects that are expressly prohibited by the government due to their harms to human health; or that are not expressly prohibited by the government but may cause discomfit or unpleasant smells to dwellers or users.

5. Test radon concentration and natural radionuclide content in the soil and indoor environment in accordance with relevant local regulations, and ensure the environmental tests have met the acceptable standard on indoor environmental quality.

6. After completion of the construction, clear all remaining materials, debris, and garbage and remove all temporary buildings, structures and facilities at the site and restore the original ground surface; restore the soil and vegetation damaged during the construction period to its original status or arrange reasonable greening.

We carry out a series of measures in order to ensure that the contractors have complied with the aforementioned laws and regulations during construction, which include inspecting building materials on the sites and refusing those not fulfilling the requirements of environmental laws and regulations, conducting weekly field samplings, performing noise, electromagnetic radiation and concrete fills testing and forcing contractors to immediately perform remediation in case of any problems. During the Reporting Period, all the emission indicators of our contractors reached national or local emission standards, and there were no material violations against national or local laws and regulations on environmental protection and pollution control applicable to the Company. The Group did not receive any punishment imposed by any administrative authorities or regulatory authorities.

Case Eco-friendly Building – Chongqing Hima Alaya

Chongqing Hima Alaya represents a high-end residential project built based on the concept of "people-oriented". The project introduces a full set of technology for ecological health in order to create an eco-friendly, comfortable and healthy living environment.

Capillary heating and cooling system

The project uses a capillary network technology from Germany, which simulates the microcirculation formed by the reticular structure of human capillaries. The capillary network is attached to the wall and roof of the buildings with water flowing through the ultra-fine capillaries, hence modulating the temperature with efficient heat exchange achieved by radiant cooling/heating and convection. As a result, the indoor temperature can be maintained at 23–26℃.

In the practice of heating, the capillary network only needs water inflow at the temperature of 28°–35℃, which is lower than 45–60℃ as required by floor-heating pipe and 70–80℃ by conventional heating radiator. It can save 20–30% energy as compared with floor heating and up to 40% in comparison with heating radiator. Similarly, energy consumption can also be reduced in the practice of cooling. The temperature requirement of water inflow into the system is 5–7℃ higher than that required by ordinary air conditioning unit, thus as much as 60–70% energy can be saved and carbon emission is therefore greatly reduced. Moreover, the capillary network is made of raw materials such as polypropylene random ("PP-R"), polyethylene of raised temperature ("PE-RT") and polybutylene ("PB") which have a long service life and is recyclable so that waste and pollution can also be reduced.

Different from the common central heating and cooling system, the household capillary networks are independent from each others. Residents can control the system depending on the daily weather so as to conserve energy flexibly.

All-green non-toxic fine decoration

The Group adopts comprehensive fine decoration in the project of which the decoration materials are purchased in accordance with the European Union REACH53 standard (formulated by 28 countries of the European Union). All of the wooden flooring, stone materials, cabinets, tiles, auxiliary materials and glues used in the project are designed and manufactured in a eco-friendly manner and have passed onsite monitoring by competent authorities under the Ministry of Health. Thereby, pollution is eliminated at source and a healthy living environment is provided.

Four-pipeline garbage disposal and domestic sewage discharge system

The project is equipped with a four-pipeline system for food waste handling and a sewerage system for water discharge which ensure that all garbage and over 50% of water can be recycled and reused. This helps minimize the amount of food waste and plastic bags being discarded or incinerated.

Community Operation

The Group adopts the following energy management schemes in property management:

We take the following water saving measures:

- Record the readings of master and branch water meters regularly and investigate once abnormal readings are found;
- Inspect the status of leakage proof of cooling tower and expansion tank regularly;
- Check water supply pipelines to stringently prevent all sorts of leakage;
- Improve the method for watering green lands and save water used for green lands.

We take the following electricity saving measures:

- Reduce the wattage, quantity and lighting time of lamps provided that public lighting is not affected;
- Restart equipment as little as possible to improve its utilization efficiency.

We take the following waste disposal scheme:

- Distribute waste collection facilities within the community appropriately to lower the probability of random littering;
- Advocate waste sorting by delineating three separate areas in the waste collection site to collect recyclable waste, kitchen garbage and other garbage respectively;
- Encourage residents in the community to recycle and reuse daily items to reduce the amount of waste.

Guided by relevant government documents, we publicize the significance and specific ways of energy saving and consumption reduction on bulletins so as to raise the awareness of energy saving among the property owners.

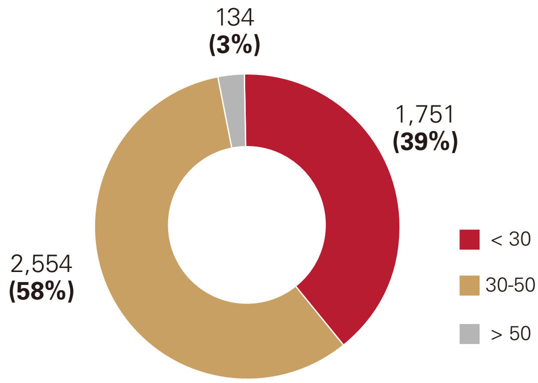
OUR STAFF

Talents are always the key to success of the Group's business, especially being a real estate development company dedicated to long-term and sound development. Upholding the people-oriented management philosophy, we strive to provide employees with an ideal working environment and welfares so as to fully stimulate their personal potential and therefore explore the full potential of the Company.

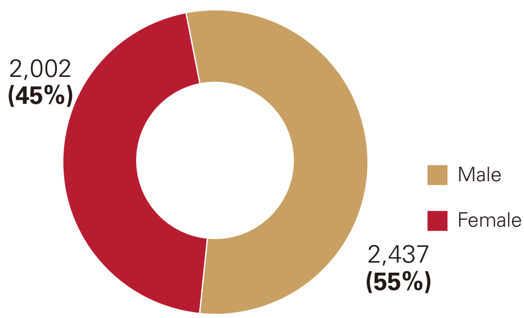
Staff Overview

The greatest wealth of the Group is the pool of our outstanding staff with their high working ability and loyalty particularly. As at 31 December 2017, we had a total of 4,439 employees, among which 4,434 were employed in the Mainland and 5 in Hong Kong.

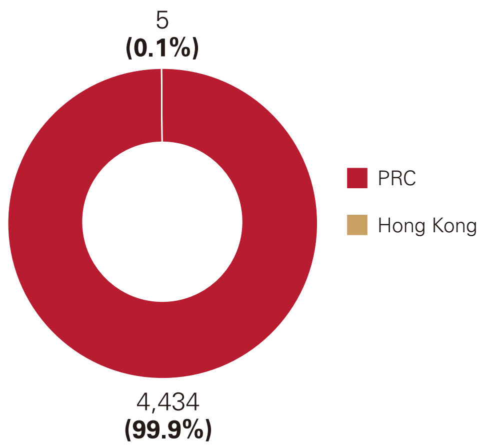
Number of employees by age group



Number of employees by gender



Number of employees by geographical region



Employment and Welfare Policies

The Group has established and continues to make use of the comprehensive human resources management system to select and absorb talents from different places through rigorous recruitment processes. We provide all candidates with equal employment opportunities without taking into consideration their gender, race, age, nationality, marital status, pregnancy, disability and religion etc. The Group advocates a diversified and anti-discrimination culture as we truly believe that employees with different backgrounds can act as the power for the Group's thriving development. We are also devoted to recruiting fresh graduates with different professional backgrounds. To attract talents, the Group offers a competitive remuneration package that the salary would not be less than the local minimum wage. For employees who request to resign, we will handle the cases promptly to understand the employees' opinion and remuneration will be provided on time.

For recruitment, we mainly adopt two channels including external recruitment and internal referral. To ensure that the recruitment process, including the release of recruitment information, resume screening, background investigation, interviews, physical examinations and entry approval, is open, fair and transparent, human resources department and department heads are responsible for overseeing the whole process. All relevant laws and regulations such as the Labor Law of the PRC and Labor Contract Law of the PRC, as well as rules and systems established by the Group, were strictly followed during the recruitment process.

As a mean in paving the way for our employees' career development, the Group also offers promotion opportunities through an open and fair promotion system. Each employee is evaluated and scored according to their performance and based on the scores, employees are allowed to apply for promotion. It is our ultimate goal that all employees are able to shape their own path in career development.

Apart from that, the Group also provides our employees with a wide range of welfares, including communication allowance, travel subsidies, holiday benefits, marriage and death benefits, physical examination, commercial insurance, meal allowance, birthday gifts and subsidies for length of service. Employees are also assured of sufficient rest time and holidays as stated in the Labor Law of the PRC. For employees who are assigned to work overseas, we provide them with household allowances, living subsidies and family-visit benefits where appropriate with the consideration of the local situation so that employees can be free of worries and concentrate on work. Employees who are sent overseas will be given priority during promotion.

The Group stringently prohibits the use of child labor and forced labor in accordance with relevant laws and regulations such as the Provisions on the Prohibition of Using Child Labor. We never employ persons who are below 18 years old by verifying their identity cards during the recruitment process. An employment contract which clearly defines the job duties is also signed with every employee to prevent forced labour. During the Reporting Period, we have standardized and intensified our human resources management. We strictly complied with the existing regulations on labour and employment applicable to the Group, and there were no circumstances involving material labour disputes.

Occupational Health and Safety

The Group always put priority on the physical and mental health of employees and promotes the balance between work and life. We strictly abide by relevant laws such as the Law of PRC on the Prevention and Control of Occupational Diseases and we provide employees with labor safety and sanitary conditions which are consistent with national rules and standards. The Group also arranges regular health examination for employees who are engaged in dangerous work. During the Reporting Period, there were 2 work-related injuries and the lost days due to the injuries were 42.

We always keep our office clean, spacious and with sufficient amount of light in a bid to provide the most comfortable working environment to our staff. Our offices are also equipped with water dispensers, refrigerators and coffee machines. We also endeavor to create a green and healthy office environment by placing green plants in offices and providing our staff with nutritional meals in our "Healthy Canteen".

On the other hand, we have organized a number of employee activities including daily activities, regular team building activities, family activities and festival activities as a way to maintain the wok-life balance of our employees. We make adjustment to the activities according to our employees' feedback timely so that the greatest effectiveness can be attained in providing employees with the time to relax and improving the cohesion of the Group.


Team building activities


Sightseeing

Talent Development

The Group recognizes that putting more efforts into training and raising the proportion of trained employees is the only way to solve the talent bottleneck in our long-term development. In view of the increasing trend of talent flow among enterprises, we are more inclined to a long-term and stable talent strategy.

Our talents are divided into two types: management talents and technical talents. While the quality and quantity of management talents determine the stability of our business and the cultural characteristics of the Group, the level of technical talents determines our innovation capabilities and competitiveness. We gradually improve the staff training system by forming a rounded system which includes trainings of new staff, middle-level and senior management.

As a mean to help newly employed management trainees to adapt to the new work and working environment, the Group offers them a series of training such as intensified training, seminar, project visit, team building activities and job rotation, therefore they can experience the enterprise culture, understand the work of various departments, improve work skills, and finally choose the appropriate position through bidirectional selection. Besides, a mentor is also arranged for each new employee thus work skills and experience can be acquired from the mentor which helps improve their business capabilities. Encouragement and advices for career development can also be given so that new employees can quickly be qualified for their position and assimilate into the Group's culture.

Culture and innovation training

New employees training

Training for management trainee

The targets of middle-level and senior management training are the young middle-level cadres from different project companies of the Group. The training is twofold, which includes professional skills training and values training. The former is conducted by different professionals irregularly according to the employees' actual needs. We have also formulated specific guiding principles and programmes regarding the aforementioned training for the management, young marketing cadres, management trainees and new managers.

During the Reporting Period, we continued to run the Sunshine 100 Cadres Training School as established in 2016. The school aims at enhancing the cohesion of enterprises, cultivating the cadres' moral characters, training and assessing the cadres, as well as building a cadre's communication platform. During the Reporting Period, we have organized 6 training sessions for a total of 178 middle-level and senior management members. Meanwhile, Sunshine 100 Young Marketing Cadres School has also organized 9 training sessions for a total of 541 staff during the Reporting Period. Trainings were provided with respect to professional ability, team spirit and enterprise values for outstanding young cadres of the Group and graduates from universities so as to reserve young sales and marketing talents for the Group and strengthen our competitiveness.

Sunshine 100 Cadres Training School

Training in Sunshine 100 Young Marketing Cadres School

Outward bound in Sunshine 100 Young Marketing Cadres School

OUR COMMUNITY

The main business of the Group is property development and community operation, therefore the Group is in itself and inevitably linked to community contribution. Sticking to our vision in providing houses with the highest cost-performance ratio in the world, we spare no effort in cutting cost and at the same time providing houses and community with the best quality. Apart from making our properties physically comfortable, we lay emphasis on the mental and social health of our customers by preserving historical characteristics and culture in communities and fostering parent-child relationship in families. In addition to our development and construction projects, our commitment to caring for the community can also be reflected by a variety of events we organize which serve different functions such as supporting local education and charitable events.

Supporting Local Education

Education is one of the major elements when designing our projects and activities. The Group endeavors to provide more diverse learning opportunities for the people in our communities especially the youngsters and children.

Case Li Jiang Nature School

Li Jiang Nature School is the first family study tour introduced by Li Jiang Cultural Village, a cultural-tourism project of the Group. The education philosophy of the school is to take family as a unit and fully integrate the essential elements of child development so as to create a personalized teaching environment for the all-round development of children. Inspired by the forest schools in Europe, Li Jiang Nature School has invited dozens of professionals in the field of psychology, early childhood education and game design to take the lead in research and development, aiming at establishing a nature-based school offering high-quality education for children and teenagers.

The school targeted at participants aged 3–12. The teacher-student ratio of 1:5 has laid a foundation for the high quality of teaching. At present, the school covers a total area of 50,000 m^2, with teaching sites such as forest camps, natural farmland, sea of Galsang Flower, Li Jiang and the associated walking trail, which allow the integration between learning and the natural environment. One of the teaching focuses of the school is the Slow-Food culture, which offers participants with Slow Food harvesting, Slow Food restaurants, Slow Food kitchens and Slow Food markets. All teaching sites are designed specific to various interests of the children. Together with tailor-made programs, the school is able to offer unique learning experiences apart from formal education in school and let children to play, enjoy and learn at the same time.

Promoting Cultural Inheritance

In more than 20 years of development, the Group has been giving high regards to the exploration and inheritance of history and culture while developing our projects. Our determination to conserve history and culture can be reflected in the projects of the Group such as Sunshine 100 Yaobu Classic Town Project that combines historical features with local characteristics, and Chongqing Sunshine 100 Ciyun Ancient Street Project that associates oriental modern cultures with the occidental one. We will continue to uphold the mission of creating values for the city, and to conserve China's long-lasting history and culture while integrating its features into the modern city lifestyle.

Case   Cooperation With the Palace Museum

The Palace Museum, Chongqing Municipal Culture Commission and Chongqing Nanan People's Government had reached multiple cooperation agreements in 2017, including the opening of a memorial museum for the cultural heritage of the Forbidden City and the Chongqing Forbidden College. As an important part in the Chongqing Sunshine 100 Ciyun Ancient Street Project, the former site of Anderson's Firm, a historically important foreign firm, has been chosen as a location of the two aforementioned new facilities.

This project can revitalize the former site of Anderson's firm, which is a significant historical relic. The establishment of the memorial museum and the Chongqing Forbidden College can also promote the country's history and the cultural characteristics of the Forbidden City to the public, and disseminate the concept of cultural heritage protection. The Group fulfils its social responsibilities by engaging in the protection of cultural heritage and sparing no effort in enhancing the cultural quality of the people. In the future, cultural inheritance will be more effective in the community, thus becoming a multi-function platform for the presentation, education, inheritance and exchange of the Forbidden City's culture.

Organizing Charitable Activities

The successful development of the Group shall be attributed to the full support and trust of all parties from the society. Therefore, we are dedicated to giving back to the society and people by actively participating in social welfare undertakings and organizing philanthropic events. During the Reporting Period, the Group has contributed over RMB1.7 million in organizing more than 200 community events of different types.

Case "Sunshine, Dreams, Love" Charitable Performance & Caring for Children with Autism Charitable Activity

The Group has been concerning the need of the younger generation for long. Apart from infusing the design elements which cater for the youngsters' needs in our development projects, we also show our love to the children with special needs in the society.

During the Reporting Period, Weifang Sunshine 100 Phoenix Community has organized a charitable performance and activity with the purpose of raising money for the children with autism. Apart from the wonderful performance of the enthusiasts, we also cooperated with artists and organized a bazaar of donated art pieces. In addition, through the lively dance performance of the children, the activity has inspired the participants the importance of children thriving in a joyful environment and has drawn their attention to children with autism. All fund raised in the event were donated to local special schools for campus construction, providing more opportunities for children to receive proper education.

Fostering Parent-child Relationship

Driven by the development of science and technology, our lives have become more materialistic. People's working hour has also become longer due to the rapid development of society. Therefore, there is beyond doubt a need to maintain parent-child relationship. Through different kinds of family activities, the Group has created a plenty of opportunities for parents and children to interact and get along with each other. The Group does not only provide its customers with a comfortable living environment, but also takes care of their spiritual life by committed to enhancing the parent-child relationship and creating a harmonious community.

Case I – "I'm a Little Shopkeeper" Family Fair

To attract children to participate in the activity, the family fair was conducted in a special approach by letting the children to be the little shopkeepers. Parents and children could search for idle toys and books at home for selling or exchanging during the event. Under the guidance of their parents, children played the role of shopkeepers who could decide on how to set the prices and sell their goods. In addition to raising the children's environmental awareness, the different parts of the activity have also created considerable communication opportunities for parents and children and brought a novel experience for the children as well.

Case II – "Bliss of Shenyang, Love for Children" Activity & Shenyang Children Charity Carnival

During the Reporting Period, the Group has taken advantage of its parent-child interactive platform to assist in the organization of a charity carnival in response to the local government's campaign "Bliss of Shenyang". The carnival included various activities such as charity sales and children charitable performances, which have attracted around 400–500 families every day. Participants were able to enjoy the activity and at the same time contribute to charity.

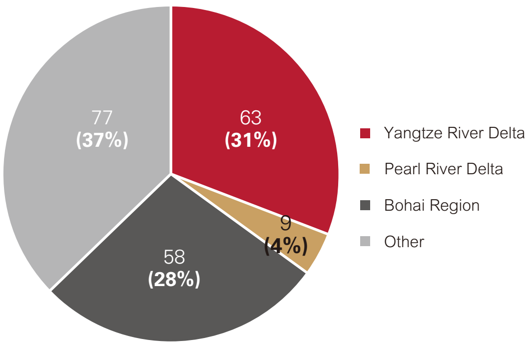
A special area has been delineated for an art exhibition, in which parents had to squat down and appreciate the drawings together with their children. The exhibition was designed to enhance parent-child communication as well as to encourage parents to think from their children's perspective, thus creating a more harmonious relationship. Besides, by participating in craft activities and interactive games, parents and children were offered a chance to spend more time together and further strengthen their relationship.

OUR OPERATION

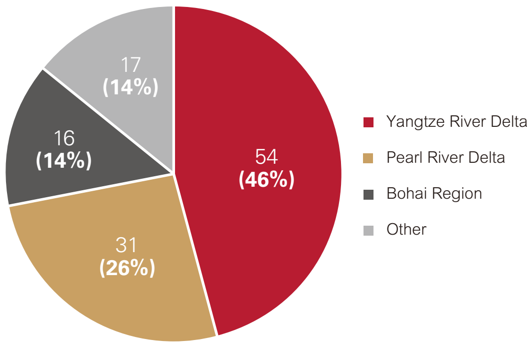
Supply Chain Management

The Group has exerted every effort to establish fair and responsible business partnerships with our business partners, including material suppliers, contractors, subcontractors and design institutes in order to build up a stable and long-term "strategic partnership". We can take advantage of such long-term partnership in exerting influence on our supply chain, thereby improving product quality, fostering community development and strengthening our reputation.

Number of contractors and subcontractors by geographical region of headquarters:



Number of suppliers by geographical region of headquarters:



In order to select the most suitable business partner, the Group follows the principle of openness, fairness and impartiality and we strictly comply with the rules and policies with regard to procurement and bid solicitation for project as formulated by the Group. We adopt open tendering and bid invitation which are jointly inspected, evaluated and reviewed by a number of relevant departments within the Group so that overreliance on a few suppliers or contractors can be avoided hence cost can be effectively controlled. During the Reporting Period, we have worked with 207 contractors and subcontractors for construction projects and 118 suppliers for goods and materials.

In regard to material suppliers, the Group has set out in the contract the requirement for accreditations of environmental protection such as "ISO Quality Management System Certification" and "Environmental Management System Certification". Besides, we require woodwork suppliers to provide documents as a proof of legality of origin for the materials they supply. For high energy-consuming products, the Group always prefers multinational and eminent enterprises which are more mindful of environmental protection and social responsibility. The Group also supports local development, thus we seek for qualified, if not outstanding, small and medium-sized enterprises in less developed cities and recommend to our peers in the industry as business partners.

With respect to contractors and subcontractors for construction projects, the Group lays emphasis on the evaluation to determine whether they have met the requirements of local regulations on environmental protection, occupational health and construction safety. We also set forth environmental, social and ethical criteria in the bid solicitation documents and recruit renowned construction contractors in the industry to ensure their performance in health, safety and environmental protection.

Continuous monitoring and evaluation is vital to the health and stability of the supply chain. Hence, the Group regularly records and evaluates the performance of our business partners in the supply chain regarding their prices, quality of goods and services. The evaluation results serve as an important basis for the selection of business partners in the future. For instance, suppliers with remarkable performance will be included in the list of qualified suppliers and will be given priority in supplier selection, whereas those who have violated relevant laws and regulation or have encountered quality incidents will be blacklisted.

Since that the Group's construction work are outsourced, we place additional emphasis on the work safety performance of our contractors and subcontractors. Pursuant to the Law of the PRC on Work Safety and Regulation on Work Safety regarding Construction Projects, we require contractors to formulate work safety execution plan, follow the onsite rules on work safety, pay the expenses relating to work safety and provide safety gears to workers. Moreover, we enter into contract carrying work safety regulations with contractors so as to force them to follow work safety guidelines, appoint experienced experts to carry out safety inspection and supervision in an effort to ensure special-type construction workers have obtained relevant qualifications. During the Reporting Period, we have trained 3 batches of workers, in total 515 participants, for the "Standards of Safe and Civilized Construction" to further raise their awareness on work safety.

Product Responsibility

As a responsible developer, we never spare ourselves in the pursuit of excellence in product quality. It is our goal to continuously provide the highest class of projects and properties which can meet, if not exceed, all our customers' expectation.

Provision of high-quality products

Using high-quality materials, adopting top-class design, satisfying diverse requirements of customers and producing products with high cost-performance ratio are the principles which guide our production from first to last. The Group has formed a quality management team which is specialized in implementing stringent quality assurance and control at every stage of project development, from product design, construction, completion, sales to maintenance.

Product health and safety

It is one of the Group's missions to take advantage of the architectures to improve everyone's lifestyle. We pursue a healthy living environment and lifestyle therefore we are dedicated to producing safe and healthy products through property design and management.

To keep our properties under surveillance, we have set up a 24-hour monitoring system with security guards to carry out frequent security patrols in most of our estates. Besides, the Group outsources the cleaning service to high-quality and professional cleaning companies which make use of machines to provide the best cleaning services. We have also initiated the "Sunshine Housekeeper" service with monthly visit to households in order to keep the entire estate, no matter private or public space, clean and comfortable. Furthermore, as a way to ensure the safety of facilities within the estates, specialized workers are assigned to keep track of the operation of the facilities and to provide round-the-clock maintenance and repair services.

Case Wuhan Sunshine 100 Lakeside Residence

It has been around six years since the first batch of sales of properties of the Wuhan Sunshine 100 Lakeside Residence (Wuhan Project). Therefore, by inputting a large amount of materials and human resources and according to the standardized management requirements, at the same time putting the actual situation of the Wuhan Project into consideration, a series of maintenance, renovation, replacement as well as upgrading work of the old and worn out facilities have been undertaken during the Reporting Period in order to raise the overall level of health and safety.

Control Room

Replace the old and worn out monitors with light-emitting diode (LED) monitors and rearrange the monitors hanging on the wall; upgrade signal transmission equipment for the video surveillance system, hence increasing the resolution and stability of the video and strengthening the security system.

Domestic Water Pump Room

Put in place a standardized management plan for pump room maintenance; install dehumidifiers to reduce humidity of the pump room; install new ceramic tiles on the floor and walls; put up pump room control and management documents on walls and stick name cards on corresponding facilities, thus stability of water supply and water quality can be secured through the most outstanding management.

Fire Pump Room

Formulate a renovation plan according to relevant standards and improve the management system; paint the floor of various areas having different functions with different colours; install dehumidifiers to reduce humidity, thereby the pump room can operate well in case of accidents hence securing the residents' safety.

Intelligent management has also been introduced in the Wuhan Project including the adoption of building automation system (BAS), 24-hour remote surveillance system and intelligent door access system. Through such intelligent management systems, the efficiency, stability and safety of the facilities and equipment have been improved.

Customer Service

As a market-oriented enterprise, the Group upholds the philosophy of "Customer-First" in our main business segments. We attach great importance to the needs of our customers and spare no effort to create perfect experience for them.

Improvement of customer experience

Customer satisfaction is our source of motivation to work. The commitment of improving customer satisfaction is manifested in every business segments of the Group, particularly in property sales.

In a bid to get in touch with potential clients precisely through market expansion and various channels, we conduct ex ante market survey to understand customer demands. With the use of a property sales system, customers' information can be recorded and salesperson can be arranged to discuss in details with our customers about the products, and to further gather the customers' preferences and special needs. As a mean to maintain a good relationship with our customers, follow-up services will be provided such as inviting them to join on-site visits based on their preferences.

To avoid excessive commitment during property sales, we on one hand require all salesperson to remind customers that all rights and interest shall be subject to the sales contract offers. On the other, we strictly regulate salespersons with internal rules and make efforts to establish a professional and upright sales team so that fairness and impartialness of the sales system can be guaranteed and legal risks can be eliminated.

The Group has formulated a comprehensive customer complaint handling system for dealing with possible problems in sales and operations including law violations, fake sales commitment, bad sales attitude, improper product design and quality, as well as other demands for supporting services. Customers may complain via a unified customer service line or to related departments such as sales department of the Group or project companies, quality management department or internal audit department of the Group about any issues in products and services. Customer service staff will record, screen and analyze all the information faithfully upon receiving the complaints, then refer the cases to dedicated department or staff so that responses can be provided for customers promptly. During the Reporting Period, there were no return of sold house or complaints resulted from any material quality problem or incompliance to regulations. There was also no serious violation of relevant laws and regulations applicable to the Company about product responsibility.

In response to the upward trend of customer service demands, we are developing an online sales system that is able to integrate online sales resources and establish a multi-channel which connects property owners, agents, the industry and the market. Through the application of the system, our salesperson are able to provide more timely follow-up services, hence improving working efficiency and achieving more convenient communication with customers. In addition, more information can be collected from customers so that product services can become more comprehensive and the service quality can be further improved.

Protection of customer privacy

We carry out strict privacy protection measures on customer information. Salespersons who have access to customer information are required to sign a confidentiality agreement. Relevant limits of authority are also set for the access to the customer information database according to the positions of the staff to safeguard customers' personal privacy. In addition, we organize regular trainings in respect of work discipline and professional ethics for salespersons. Employees revealing customer information are regarded as violation of the code of conduct and will be meted out to financial or administrative disciplinary actions according to the seriousness of the case.

Operation with integrity

The authenticity of work, effectiveness of communication and soundness of an enterprise's operation can be ensured by the truthfulness and transparency of operation. Hence, the Group advocates transparent administrative rules and has established rules regarding anti-corruption and anti-bribery in an effort to ensure the integrity of our operation.

The Group has set up the Code of Conduct for Staff, the Ethics in Procurement and the Anti-Fraud Work Ordinance which clearly state that all employees are responsible to abide by laws and regulations and the general code of business ethics. The Group strictly prohibits employees from asking for or accepting interests in anyone's name or in any form, as well as harming the legitimate interests of the country, the Company, shareholders, other organizations or individuals for their own benefit through illegal means such as fraud. Additionally, standardized contracts for pricing, procurement and property design which are attached with a guarantee letter of integrity have to be signed between the Group and the corresponding parties. Both parties are reminded to bear the ethical obligations under the contract.

Through years of operation, the Group has learnt from the leading peers in the industry and established a series of preventive measures and a whistle-blowing mechanism. Such measures and mechanism can help to avoid any possible unlawful practices and maintain a good image of the Group, which include:

1. Established an internal audit department, which bears the primary responsibility for handling whistle-blowing, complaints and responses, and acts as the permanent department for anti-corruption and anti-fraud. It is subject to the supervision of the Board of Directors and the Audit Committee.

2. Standardized the process of complaint-handling and whistle-blowing; set up specialized telephone hotlines, emails and public address and stipulated the detailed process for whistle-blowing and complaints; set up safety protection mechanism for whistle-blowers; established an award system for whistle-blowing.

3. The management of the Group is responsible for building, improving and implementing anti-corruption process and mechanism; each department assumes its responsibility to carry out anti-corruption work.

4. Advocated enterprise culture of honesty and integrity; created anti-corruption enterprise ambience; organized anti-corruption training and moral education for new staff.

5. Required all procurement officers' name cards to be printed with the telephone number and email address for complaints to facilitate the supervision and complaints by our business partners in case of bribery and corruption.

6. In case of corruption, employees will be meted out to financial or administrative disciplinary actions according to the seriousness of the case. If criminal law is breached, the case will be transferred to the judicial authority and handled in accordance with law.

During the Year, there was no lawsuit regarding corruption filed against the Company or our staffs.

CONCLUSION

As a responsible corporation, the Group has fulfilled its social responsibility in a dynamic way during the Year, through carrying out a diversity of development projects and putting in force a number of measures. Looking into the future, the Group is going to step up sustainable development continuously. We truly believe that only if we optimize business operation and development and make contribution to the economy, society and environment could a sustainable society be built. Hence, in addition to simply preventing environmental impacts and loss of culture, the Group will continue to take the initiative in enhancing city functions, caring for our employees and customers, as well as capitalizing on natural and cultural resources in order to construct more sustainable communities of high values. It is hoped that our vision and philosophy will be spread through the industry, if not the world, thus bringing lasting benefits to the society.

To the shareholders of Sunshine 100 China Holdings Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 113 to 228, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to Note 11 to the consolidated financial statements and the accounting policies on page 126.

The Key Audit Matter	How the matter was addressed in our audit
The Group held investment properties with a total carrying amount of RMB10,757,187,000 as at 31 December 2017, which accounted for 19.3% of the Group's total assets as at that date. The net changes in fair value of investment properties recorded in the consolidated statement of comprehensive income was RMB788,968,000 and represented 60.9% of the Group's profit before taxation for the year ended 31 December 2017. The investment properties principally comprise retail properties mainly located in tier 2 and tier 3 cites in Mainland China. The fair values of investment properties as at 31 December 2017 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.	Our audit procedures to assess the valuation of investment properties included: • evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity; • meeting with the external property valuer to assess the approach to the valuations and the findings, reviewing management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer; • assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;

The Key Audit Matter	How the matter was addressed in our audit
We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and may be subject to management bias.	• involving our internal valuation specialists to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted and challenging the assumptions used, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics; • comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and • considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Assessing the net realisable value for properties under development and completed properties held for sale

Refer to Note 15 to the consolidated financial statements and the accounting policies on page 132.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of properties under development and completed properties held for sale totaled RMB28,180,123,000 as at 31 December 2017, which accounted for 50.5% of the Group's total assets as at that date. Properties under development and completed properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 2 and tier 3 cities in Mainland China, and are stated at the lower of cost and net realisable value. The assessment of the net realisable value of properties under development and completed properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions. Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities. We identified assessing the net realisable value of properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.	Our audit procedures to assess the net realisable value of properties under development and completed properties held for sale included: • evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of property construction costs and other costs; • conducting site visits to property development sites, on a sample basis, discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; • challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of similar type and size and in similar location; • assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and • evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

Assessing the recoverability of RMB581,089,000 due from the Government of Chenghua District in Chengdu

Refer to Note 17 to the consolidated financial statements and the accounting policies on page 133.

The Key Audit Matter	How the matter was addressed in our audit
Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group has an entitlement to receive RMB581,089,000 from the Government of Chenghua District. The Government of Chenghua District issued a notice dated 2 July 2013 to confirm this amount. Considering the long ageing of the receivable, in February 2015, the Group sued the Government of Chenghua District and asked for the repayment of the RMB581,089,000 as well as a penalty of RMB15,000,000. The first trial went to court on 17 June 2015, and the judge asked the Group and the Government of Chenghua District to negotiate further to attempt to reach a settlement. As of the date of this report, the Group is still in negotiation with the Government of Chenghua District. As at 31 December 2017, the directors of the Group were of the opinion that the RMB581,089,000 due from the Government of Chenghua District was fully recoverable and no provision was required, taking into consideration a legal opinion received from an external lawyer about the expected outcome of the lawsuit and also taking into consideration that there is no indication that the Government of Chenghua District does not have the financial ability to fulfil its obligations to settle the balance. We identified the recoverability of RMB581,089,000 due from the Government of Chenghua District as a key audit matter because of its financial significance to the Group and because the assessment of its recoverability requires the application of management judgement.	Our audit procedures to assess the recoverability of RMB581,089,000 due from the Government of Chenghua District included: • obtaining and inspecting the legal opinion issued by the Group's external lawyer which opined on the legitimacy of the Group's right to receive the outstanding balance; and • assessing management's judgement in connection with the recoverability of the outstanding balance, including comparing management's assessment with the legal opinion provided by the external lawyer and the progress of the negotiations with the Government of Chenghua District as demanded by the court and challenging management's assessment in respect of the ability of the Government of Chengdu District to repay the receivable with reference to reports which disclose relevant financial data published by the Government of Chenghua District.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the part of annual report received prior to the date of this auditor's report and expect the remaining other information to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

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

28 March 2018

Consolidated Statement of Comprehensive Income

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

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	2	**6,874,583**	6,965,202
Cost of sales		**(5,375,157)**	(5,880,748)
Gross profit		**1,499,426**	1,084,454
Valuation gains on investment properties	11	**788,968**	910,917
Other income/(losses)	3	**20,767**	(39,760)
Selling expenses		**(599,713)**	(787,685)
Administrative expenses		**(456,663)**	(458,117)
Other operating expenses		**(26,249)**	(36,165)
Profit from operations		**1,226,536**	673,644
Finance income	4(a)	**417,091**	136,980
Finance costs	4(a)	**(358,915)**	(341,802)
Share of profits less losses of associates		**10,869**	70,603
Profit before taxation	4	**1,295,581**	539,425
Income tax	5	**(446,859)**	(308,058)
Profit for the year		**848,722**	231,367
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified subsequently to profit or loss:			
Valuation surplus on investment properties transferred from property and equipment, net of deferred tax		**3,171**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**11,532**	(12,528)
Other comprehensive income for the year		**14,703**	(12,528)
Total comprehensive income for the year		**863,425**	218,839

The notes on pages 121 to 228 form part of these financial statements. Details of dividends payables to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(b).

Consolidated Statement of Comprehensive Income

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

	Note	2017 RMB'000	2016 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		**593,093**	195,405
Non-controlling interests		**255,629**	35,962
Profit for the year		**848,722**	231,367
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**607,796**	182,877
Non-controlling interests		**255,629**	35,962
Total comprehensive income for the year		**863,425**	218,839
Earnings per share *(RMB)*	8		
Basic		**0.25**	0.08
Diluted		**0.18**	0.08

The notes on pages 121 to 228 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property and equipment	10	**718,429**	745,980
Investment properties	11	**10,757,187**	9,111,522
Restricted deposits	18	**62,335**	338,871
Investments in associates	13	**757,016**	642,004
Trade and other receivables	17	**338,948**	137,348
Deferred tax assets	14(b)	**1,071,458**	1,010,103
Total non-current assets		**13,705,373**	11,985,828
Current assets			
Properties under development and completed properties held for sale	15	**28,180,123**	28,362,478
Land development for sale	16	**1,136,350**	784,398
Trade and other receivables	17	**7,079,906**	5,531,218
Restricted deposits	18	**887,778**	1,956,703
Cash and cash equivalents	19	**4,654,189**	4,467,731
Trading securities		**136,594**	–
Total current assets		**42,074,940**	41,102,528
Current liabilities			
Loans and borrowings	20	**8,823,334**	8,551,448
Trade and other payables	21	**5,299,267**	6,714,767
Contract retention payables		**232,874**	253,256
Sales deposits	22	**9,355,100**	6,615,966
Current tax liabilities	14(a)	**964,966**	1,020,852
Total current liabilities		**24,675,541**	23,156,289
Net current assets		**17,399,399**	17,946,239
Total assets less current liabilities		**31,104,772**	29,932,067

The notes on pages 121 to 228 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current liabilities			
Loans and borrowings	20	**17,941,805**	18,201,011
Contract retention payables		**154,213**	235,268
Trade and other payables	21	**316,914**	463,996
Deferred tax liabilities	14(b)	**3,529,507**	3,350,153
Total non-current liabilities		**21,942,439**	22,250,428
NET ASSETS		**9,162,333**	7,681,639
CAPITAL AND RESERVES	23		
Share capital		**20,700**	18,718
Reserves		**7,426,158**	6,220,334
Total equity attributable to equity shareholders of the Company		**7,446,858**	6,239,052
Non-controlling interests		**1,715,475**	1,442,587
TOTAL EQUITY		**9,162,333**	7,681,639

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

YI Xiaodi	**FAN Xiaochong**
Director	*Director*

The notes on pages 121 to 228 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Property revaluation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	18,718	2,821,330	(2,780)	559,638	9,865	2,789,314	6,196,085	1,306,330	7,502,415
Changes in equity for 2016:									
Profit for the year	–	–	–	–	–	195,405	195,405	35,962	231,367
Other comprehensive income	–	–	(12,528)	–	–	–	(12,528)	–	(12,528)
Total comprehensive income	–	–	(12,528)	–	–	195,405	182,877	35,962	218,839
Acquisition of subsidiaries	–	–	–	–	–	–	–	15,795	15,795
Equity transaction with non-controlling interests	–	–	–	–	–	–	–	91,500	91,500
Dividend approved in respect of the previous year *(Note 23)*	–	–	–	–	–	(139,910)	(139,910)	–	(139,910)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(7,000)	(7,000)
Transfer to general reserve fund	–	–	–	69,399	–	(69,399)	–	–	–
Balance at 31 December 2016 and 1 January 2017	18,718	2,821,330	(15,308)	629,037	9,865	2,775,410	6,239,052	1,442,587	7,681,639
Changes in equity for 2017:									
Profit for the year	**-**	**-**	**-**	**-**	**-**	**593,093**	**593,093**	**255,629**	**848,722**
Other comprehensive income	**-**	**-**	**11,532**	**-**	**3,171**	**-**	**14,703**	**-**	**14,703**
Total comprehensive income	**-**	**-**	**11,532**	**-**	**3,171**	**593,093**	**607,796**	**255,629**	**863,425**
Issuance of shares *(Note 23(c))*	**1,968**	**592,747**	**-**	**-**	**-**	**-**	**594,715**	**-**	**594,715**
Conversion of convertible bonds *(Note 20(d))*	**14**	**5,281**	**-**	**-**	**-**	**-**	**5,295**	**-**	**5,295**
Capital contribution from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,640**	**20,640**
Capital returned to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,381)**	**(3,381)**
Transfer to general reserve fund	**-**	**-**	**-**	**78,265**	**-**	**(78,265)**	**-**	**-**	**-**
Balance at 31 December 2017	**20,700**	**3,419,358**	**(3,776)**	**707,302**	**13,036**	**3,290,238**	**7,446,858**	**1,715,475**	**9,162,333**

The notes on pages 121 to 228 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		**1,295,581**	539,425
Adjustments for:			
– Depreciation	4(c)	**43,286**	56,837
– Valuation gains on investment properties	11	**(788,968)**	(910,917)
– Finance costs		**338,072**	339,342
– Finance income	4(a)	**(417,091)**	(136,980)
– Net loss on disposal of property and equipment	4(c)	**918**	1,163
– Net loss on disposal of investment properties	3	**15,741**	22,320
– Impairment loss on trade and other receivables	4(c)	**83**	4,277
– (Reversal of)/write-down of properties under development and completed properties held for sale	4(c)	**(23,772)**	48,113
– Remeasurement to fair value of pre-existing interest in acquiree	3	**–**	34,188
– Share of profits less losses of associates		**(10,869)**	(70,603)
		452,981	(72,835)
Decrease in properties under development and completed properties held for sale		**1,972,673**	177,850
Increase in land development for sale		**(351,952)**	(16,529)
(Increase)/decrease in trade and other receivables		**(328)**	841,926
Decrease in restricted deposits		**7,423**	61,565
Decrease in trade and other payables, and contract retention payables		**(1,406,475)**	(1,179,793)
Increase in sales deposits		**2,739,134**	1,843,247
Cash generated from operation		**3,413,456**	1,655,431
Income tax paid		**(461,505)**	(359,225)
Net cash generated from in operating activities		**2,951,951**	1,296,206

The notes on pages 121 to 228 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	**2017 RMB'000**	2016 RMB'000
Investing activities			
Finance income received		**170,229**	66,981
Proceeds from disposal of property and equipment		**2,229**	2,910
Proceeds from disposal of investment properties		**45,387**	88,533
Proceeds from disposal of an associate		**50,000**	18,358
Acquisition of subsidiaries, net of cash acquired		**(174,895)**	(102,253)
Acquisition of property and equipment		**(16,313)**	(22,313)
Acquisition of investment properties		**(481,780)**	(304,789)
Acquisition of associates		**(166,143)**	(112,430)
Repayment of advances to related parties		**–**	3,000
Advances to related parties		**(52,603)**	(3,000)
Repayment of advances to third parties		**45,000**	265,288
Advances to third parties		**(1,640,561)**	(741,000)
Dividend from investment in the trading securities		**8,464**	–
Acquisition of the trading securities		**(133,942)**	–
Proceeds of disposal of the trading securities		**927**	–
Net cash used in investing activities		**(2,344,001)**	(840,715)
Financing activities			
Proceeds from loans and borrowings	19(b)	**8,176,548**	10,623,670
Repayment of loans and borrowings	19(b)	**(8,181,466)**	(10,342,829)
Repayment of senior notes	19(b)	**(1,425,128)**	–
Proceeds from issuance of shares, net of listing expenses	23(c)	**594,715**	–
Proceeds from issue of corporate bonds		**–**	4,425,730
Proceeds from issue of convertible bonds		**–**	1,309,526
Proceeds from issue of senior notes	19(b)	**1,542,576**	–
Interest paid	19(b)	**(2,424,312)**	(1,886,253)
Decrease/(increase) in restricted deposits	19(b)	**1,338,038**	(1,306,606)
Advances from related parties	19(b)	**160**	412,611
Repayment of advances from related parties	19(b)	**(28,214)**	(396,336)
Capital contribution from non-controlling interests		**20,640**	–
Capital returned to non-controlling interests		**(3,381)**	–
Dividends paid		**–**	(146,910)
Net cash (used in)/generated from financing activities		**(389,824)**	2,692,603

The notes on pages 121 to 228 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2017 RMB'000	2016 RMB'000
Net increase in cash and cash equivalent		**218,126**	3,148,094
Cash and cash equivalents at 1 January	19(a)	**4,467,731**	1,325,221
Effect of foreign exchange rate changes		**(31,668)**	(5,584)
Cash and cash equivalents at 31 December	19(a)	**4,654,189**	4,467,731

The notes on pages 121 to 228 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People's Republic of China (the "PRC").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property (see Note 1(i));
- financial instruments classified as available-for-sale or as trading securities (see Note 1(g)); and
- derivative financial instruments (see Note 1(h)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 28.

(c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 19(b) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Subsidiaries and non-controlling interests

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(p), (q) or (r) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 1(f) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

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

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in Notes 1(w)(v) and (vi).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortized cost less impairment losses (see Note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses (see Note 1(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in Notes 1(w)(v) and (vi), respectively. Foreign exchange gains and losses resulting from changes in the amortized cost of debt securities are also recognized in profit or loss.

When the investments are derecognized or impaired (see Note 1(l)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 1(w)(iii).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property (Continued)

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)).

The cost of self-constructed items of property includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(y)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Hotel properties	30 – 40 years
– Supermarkets	20 – 30 years
– Office premises	20 – 30 years
– Motor vehicles	5 – 8 years
– Office equipment	3 – 5 years

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Operating lease charges

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see Note 1(e)) and investments in subsidiaries in the Company's statement of financial position (see Note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(l)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

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

(ii) Impairment of other assets

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

- property, plant and equipment;

- goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually, whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(l)(i) and (ii)).

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalized borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realizable value. Net realizable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realizing the revenue derived from the sale of land development for sale based on prevailing market conditions.

(n) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

– ***Property under development for sale***

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see Note 1(y)). Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– ***Completed property held for sale***

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

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

The amount of any write-down of properties under development and completed properties held for sale to net realizable value are recognized as an expense in the period the write-down occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognized as a reduction in the amount of properties held for sale recognized as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Loans and borrowings

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

(q) Convertible bonds

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The equity component is initially recognized at the difference between the fair value of the convertible notes as a whole and the fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Convertible bonds (Continued)

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative component in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of liability. The portion relating to the derivative component is recognized immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 1(h). The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognized in profit or loss.

(r) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(v)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

(ii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(u) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

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

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

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

  – the same taxable entity; or

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

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with Note 1(v)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with Note 1(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(v)(iii).

(iii) Other provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition

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

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial positions as sales deposits.

(ii) Revenue from land development for sale

Revenue from land development for sale is recognized upon the transfer of risks and rewards in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

(iii) Rental income from operating leases

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

(iv) Property management and hotel operation income

Property management and hotel operation income is recognized over the periods in which the services management are rendered. Property management and hotel operation income excludes business tax.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (Continued)

(v) Property selling agency income

Property selling agency income mainly refers to the selling income of the property market. Property selling agency income is recognized according to the calculation method as stipulated in the relevant contracts when the service provided meets the terms required.

(vi) Brand-use service income

Brand-use service income is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements.

(vii) Interest income

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

(viii) Dividends

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

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(x) Translation of foreign currencies

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

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting periods. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Borrowing costs

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

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

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

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

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

2 REVENUE

The principal activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Revenue represents sale of properties, rental income from investment properties, property management and hotel operation income, and light-asset operation income, net of business tax, analyzed as follows:

	2017 RMB'000	2016 RMB'000
Sale of properties	**6,285,412**	6,519,910
Property management and hotel operation income	**388,472**	342,277
Rental income from investment properties	**112,672**	103,015
Light-asset operation income	**88,027**	–
	6,874,583	6,965,202

3 OTHER INCOME/(LOSSES)

	2017 RMB'000	2016 RMB'000
Remeasurement to fair value of pre-existing interest in acquiree	**–**	(34,188)
Net loss on disposal of investment properties	**(15,741)**	(22,320)
Others	**36,508**	16,748
	20,767	(39,760)

4 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	Note	2017 RMB'000	2016 RMB'000
Finance income			
Interest income on financial assets not at fair value through profit or loss		**(285,662)**	(136,980)
Net foreign exchange gain		**(26,116)**	–
Net change in fair value of the trading securities		**(12,260)**	–
Dividend income from the trading securities		**(8,464)**	–
Net change in fair value of the derivative component of the convertible bonds	20(d)	**(84,589)**	–
		(417,091)	(136,980)
Finance costs			
Total interest expense on loans and borrowings		**2,506,616**	2,116,903
Less: Interest expense capitalized into land development for sale, properties under development and investment properties under construction	(i)	**(2,168,544)**	(1,918,382)
		338,072	198,521
Net change in fair value of the derivative component of the convertible bonds	20(d)	**–**	43,858
Net foreign exchange loss		**–**	55,375
Bank charges and others		**20,843**	44,048
		358,915	341,802

Note:

(i) The borrowing costs have been capitalized at a rate of 3.29% – 13.00% per annum (2016: 3.29% – 15.00%).

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2017 **RMB'000**	2016 RMB'000
Contributions to defined contribution retirement plan	**30,451**	31,182
Salaries, wages and other benefits	**464,139**	460,813
	494,590	491,995

(c) Other items

	2017 **RMB'000**	2016 RMB'000
Depreciation	**43,286**	56,837
Net loss on disposal of property and equipment	**918**	1,163
Operating lease charges in respect of properties	**24,526**	39,155
Rental receivable from investment properties less direct outgoing of RMB Nil	**(112,672)**	(103,015)
Impairment losses of trade and other receivables	**83**	4,277
(Reversal of)/write-down of properties under development and completed properties held for sale	**(23,772)**	48,113
Auditors' remuneration		
– Audit services	**8,526**	8,736
– Tax services	**627**	200

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Note	**2017** **RMB'000**	2016 RMB'000
Provision for the year			
– PRC Corporate Income Tax		**164,916**	170,410
– Land Appreciation Tax		**179,430**	117,609
Over-provision of PRC Corporate Income Tax in respect of prior years		**(14,429)**	(24,829)
Deferred tax	14(b)	**116,942**	44,868
		446,859	308,058

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(a) Taxation in the consolidated statements of comprehensive income represents: (Continued)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Group incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017 ***RMB'000***	2016 *RMB'000*
Profit before taxation	**1,295,581**	539,425
Notional tax at profit before taxation, calculated at the tax rate of 25%	**323,895**	134,856
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(44,858)**	(29,402)
Tax effect of unused tax losses not recognized	**26,679**	10,836
Effect of preferential tax rate	**(34,640)**	41,689
Tax effect of share of profits less losses of associates	**(2,717)**	(17,651)
Tax effect of non-deductible expenses	**13,499**	74,950
Over-provision in prior years	**(14,429)**	(24,829)
Provision for Land Appreciation Tax	**179,430**	117,609
Actual tax expense	**446,859**	308,058

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
2017					
Chairman:					
Mr. Yi Xiaodi	–	1,227	1,146	27	2,400
Executive director:					
Mr. Fan Xiaochong	–	1,183	960	23	2,166
Non-executive directors:					
Ms. Fan Xiaohua ("Ms. Fan")	–	580	150	–	730
Mr. Wang Gongquan	197	–	–	–	197
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	208	–	–	–	208
Mr. Gu Yunchang	208	–	–	–	208
Mr. Wang Bo	197	–	–	–	197
	810	2,990	2,256	50	6,106

6 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2016					
Chairman:					
Mr. Yi Xiaodi	–	1,246	526	27	1,799
Executive director:					
Mr. Fan Xiaochong	–	1,182	503	23	1,708
Non-executive directors:					
Ms. Fan	–	580	130	–	710
Mr. Wang Gongquan	197	–	–	–	197
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	215	–	–	–	215
Mr. Gu Yunchang	215	–	–	–	215
Mr. Wang Bo	197	–	–	–	197
	824	3,008	1,159	50	5,041

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Salaries and other emoluments	**4,038**	4,060
Discretionary bonuses	**1,627**	1,766
Retirement scheme contributions	**153**	25
	5,818	5,851

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2017 *Numbers of individuals*	2016 *Numbers of individuals*
HKD1,500,001 to HKD2,000,000	**1**	2
HKD2,000,001 to HKD2,500,000	**1**	–
HKD2,500,001 to HKD3,000,000	**1**	1

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB593,093,000 (2016: RMB195,405,000) and the weighted average number of ordinary shares 2,377,214,149 (2016: 2,375,000,000 ordinary shares) in issue during the year, calculated as follows:

	2017	2016
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**2,375,000,000**	2,375,000,000
Effect of issuance of shares	**1,931,959**	–
Exercise of conversion of convertible bonds	**282,190**	–
Weighted average number of ordinary shares at 31 December	**2,377,214,149**	2,375,000,000

8 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the diluted profit attributable to equity shareholders of the Company of RMB516,318,000 (2016: RMB195,405,000) and the diluted weighted average number of ordinary shares of 2,797,366,786 (2016: 2,375,000,000 ordinary shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2017 ***RMB'000***	2016 *RMB'000*
Profit attributable to equity shareholders	**593,093**	195,405
After tax effect of effective interest on the liability component of convertible bonds	**39,442**	–
After tax effect of gains recognised on the derivative component of convertible bonds	**(116,217)**	–
Profit attributable to equity shareholders (diluted)	**516,318**	195,405

(ii) Weighted average number of ordinary shares (diluted)

	2017	2016
Weighted average number of ordinary shares at 31 December	**2,377,214,149**	2,375,000,000
Effect of conversion of convertible bonds	**420,152,637**	–
Weighted average number of ordinary shares (diluted) at 31 December	**2,797,366,786**	2,375,000,000

9 SEGMENT REPORTING

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation, and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

(a) the mixed-use business complexes segment that develops and sells business complex products;

(b) the multi-functional residential communities segment that develops and sells residential properties and develops land;

(c) investment properties segment that leases offices and commercial premises;

(d) the property management and hotel operation segment that provides property management services, and hotel accommodation services; and

(e) the light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.

(a) Segment results, assets and liabilities

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

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

9 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, finance costs, income tax, additions on investment properties and property and equipment, and loans and borrowings.

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

	Year ended 31 December 2017					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Reportable segment revenue	1,271,224	5,014,188	121,248	466,804	88,027	6,961,491
Cost of sales	(1,158,180)	(3,950,906)	–	(366,225)	(22,010)	(5,497,321)
Reportable segment gross profit	113,044	1,063,282	121,248	100,579	66,017	1,464,170
Valuation gains on investment properties	–	–	788,968	–	–	788,968
Net operating expenses	(210,035)	(767,221)	(5,165)	(109,572)	(1,721)	(1,093,714)
Finance costs	4,944	(98,991)	4	(37,140)	(50)	(131,233)
Reportable segment (loss)/profit before taxation	(92,047)	197,070	905,055	(46,133)	64,246	1,028,191
Income tax	5,720	(177,994)	(218,462)	8,068	(5,792)	(388,460)
Reportable segment (loss)/profit	(86,327)	19,076	686,593	(38,065)	58,454	639,731
Additions on investment properties and property and equipment	2,306	5,454	335,489	5,532	204	348,985

9 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	At 31 December 2017					
	Mixed-use business complexes *RMB'000*	**Multi-functional residential communities** *RMB'000*	**Investment properties** *RMB'000*	**Property management and hotel operation** *RMB'000*	**Light-asset operation** *RMB'000*	**Total** *RMB'000*
Loans and borrowings	**5,664,218**	**17,277,253**	**-**	**611,427**	**-**	**23,552,898**
Reportable segment assets	**12,165,995**	**30,437,018**	**11,074,957**	**1,203,057**	**169,196**	**55,050,223**
Reportable segment liabilities	**12,989,434**	**30,997,300**	**282,736**	**965,549**	**110,740**	**45,345,759**

	Year ended 31 December 2016				
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Total *RMB'000*
Reportable segment revenue	1,153,864	5,366,046	103,015	433,372	7,056,297
Cost of sales	(888,547)	(4,782,367)	–	(339,300)	(6,010,214)
Reportable segment gross profit	265,317	583,679	103,015	94,072	1,046,083
Valuation gains on investment properties	–	–	910,917	–	910,917
Net operating expenses	(203,194)	(1,071,209)	(10,906)	(65,839)	(1,351,148)
Finance costs	(45,436)	(34,374)	(1,429)	(13,943)	(95,182)
Reportable segment profit/(loss) before taxation	16,687	(521,904)	1,001,597	14,290	510,670
Income tax	(29,651)	(116,379)	(228,867)	(56)	(374,953)
Reportable segment (loss)/profit	(12,964)	(638,283)	772,730	14,234	135,717
Additions on investment properties and property and equipment	3,247	8,130	308,105	9,007	328,489

9 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	At 31 December 2016				
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Total *RMB'000*
Loans and borrowings	4,201,498	17,268,645	–	728,170	22,198,313
Reportable segment assets	11,425,130	28,786,048	9,433,109	1,082,233	50,726,520
Reportable segment liabilities	12,203,037	29,427,459	375,439	789,089	42,795,024

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

	2017 ***RMB'000***	2016 *RMB'000*
Revenue		
Reportable segment revenue	**6,961,491**	7,056,297
Elimination of intra-group revenue	**(86,908)**	(91,095)
Consolidated revenue	**6,874,583**	6,965,202
Profit		
Reportable segment profit	**639,731**	135,717
Elimination of intra-group loss/(profit)	**17,851**	(72,968)
Unallocated head office and corporate income	**191,140**	168,618
Consolidated profit	**848,722**	231,367
Loans and borrowings		
Reportable segment loans and borrowings	**23,552,898**	22,198,313
Unallocated head office and corporate loans and borrowings	**3,212,241**	4,554,146
Consolidated loans and borrowings	**26,765,139**	26,752,459

9 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities (Continued)

	2017 **RMB'000**	2016 RMB'000
Assets		
Reportable segment assets	**55,050,223**	50,726,520
Elimination of intra-group balances	**(13,602,228)**	(11,520,896)
Unallocated head office and corporate assets	**14,332,318**	13,882,732
Consolidated total assets	**55,780,313**	53,088,356
Liabilities		
Reportable segment liabilities	**45,345,759**	42,795,024
Elimination of intra-group balances	**(14,474,297)**	(13,172,457)
Unallocated head office and corporate liabilities	**15,746,518**	15,784,150
Consolidated total liabilities	**46,617,980**	45,406,717

(c) Geographical information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

10 PROPERTY AND EQUIPMENT

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2016	650,328	59,407	166,458	47,830	84,175	1,008,198
Acquisition of subsidiaries	–	–	–	696	489	1,185
Additions	3,048	–	3,531	5,286	9,740	21,605
Disposals	–	–	(2,188)	(4,252)	(5,412)	(11,852)
At 31 December 2016	653,376	59,407	167,801	49,560	88,992	1,019,136
At 1 January 2017	**653,376**	**59,407**	**167,801**	**49,560**	**88,992**	**1,019,136**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**183**	**183**
Additions	**–**	**–**	**1,603**	**3,742**	**10,968**	**16,313**
Transfer from investment properties *(Note 11)*	**73,173**	**–**	**–**	**–**	**–**	**73,173**
Transfer to properties under development and completed properties held for sale	**–**	**–**	**(20,709)**	**–**	**–**	**(20,709)**
Transfer to investment properties *(Note 11)*	**–**	**–**	**(56,273)**	**–**	**–**	**(56,273)**
Disposals	**–**	**–**	**(464)**	**(4,072)**	**(4,404)**	**(8,940)**
At 31 December 2017	**726,549**	**59,407**	**91,958**	**49,230**	**95,739**	**1,022,883**

10 PROPERTY AND EQUIPMENT (CONTINUED)

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2016	96,340	1,428	44,755	30,918	50,657	224,098
Charge for the year	29,930	2,429	6,093	5,744	12,641	56,837
Written back on disposals	–	–	(206)	(2,718)	(4,855)	(7,779)
At 31 December 2016	126,270	3,857	50,642	33,944	58,443	273,156
At 1 January 2017	**126,270**	**3,857**	**50,642**	**33,944**	**58,443**	**273,156**
Charge for the year	**25,471**	**1,221**	**6,142**	**3,532**	**6,920**	**43,286**
Transfer to properties under development and completed properties held for sale	**-**	**-**	**(4,893)**	**-**	**-**	**(4,893)**
Transfer to investment properties *(Note 11)*	**-**	**-**	**(1,302)**	**-**	**-**	**(1,302)**
Written back on disposals	**-**	**-**	**(144)**	**(3,051)**	**(2,598)**	**(5,793)**
At 31 December 2017	**151,741**	**5,078**	**50,445**	**34,425**	**62,765**	**304,454**
Net book value:						
At 31 December 2016	527,106	55,550	117,159	15,616	30,549	745,980
At 31 December 2017	**574,808**	**54,329**	**41,513**	**14,805**	**32,974**	**718,429**

(a) The analysis of net book value of properties

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB670,650,000 as at 31 December 2017 (2016: RMB699,815,000), were under medium-term leases in the PRC.

(b) Certain portion of the Group's hotel properties were pledged against certain loans and borrowings, details of which are set out on Note 20(i).

(c) As at 31 December 2017, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB32,607,000 (2016: RMB38,874,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

11 INVESTMENT PROPERTIES

	Properties under construction RMB'000	Completed properties RMB'000	Total RMB'000
At 1 January 2016	1,749,631	6,214,921	7,964,552
Additions	290,056	5,057	295,113
Transfer from properties under development and completed properties held for sale	12,992	38,801	51,793
Transfer to completed properties	(1,456,500)	1,456,500	–
Valuation gains on investment properties for the year	424,251	486,666	910,917
Disposals	–	(110,853)	(110,853)
At 31 December 2016	1,020,430	8,091,092	9,111,522
At 1 January 2017	**1,020,430**	**8,091,092**	**9,111,522**
Additions	**296,191**	**39,011**	**335,202**
Transfer from properties under development and completed properties held for sale	**37,100**	**559,497**	**596,597**
Transfer from properties and equipment *(Note 10)*	**–**	**54,971**	**54,971**
Valuation gains on investment properties for the year	**264,418**	**524,550**	**788,968**
Valuation surplus on investment properties for the year	**–**	**4,228**	**4,228**
Transfer to properties and equipment *(Note 10)*	**–**	**(73,173)**	**(73,173)**
Disposals	**–**	**(61,128)**	**(61,128)**
At 31 December 2017	**1,618,139**	**9,139,048**	**10,757,187**

11 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties

(i) Fair value hierarchy

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

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

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

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

	Fair value at 31 December 2017	**Fair value measurements as at 31 December 2017 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Investment properties:				
– Commercial-Mainland China	**10,757,187**	**–**	**–**	**10,757,187**

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Investment properties:				
– Commercial-Mainland China	9,111,522	–	–	9,111,522

11 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

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

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2017. The valuations were carried out by Crowe Horwath (HK) Consulting & Valuation Limited ("Crowe Horwath"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price (RMB/sq.m.)	6,313–68,702	21,328
	Income capitalization approach	Capitalisation rate	3.5%–7.0%	5.4%
		Market monthly rent rate (RMB/sq.m.)	14–247	115
Investment properties under construction	Direct comparison approach	Market unit sale price (RMB/sq.m.)	13,248–30,039	26,757

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalization approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalization rate.

11 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by Crowe Horwath by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer's profits. The fair value measurement is positively correlated to the market unit sale price.

The gain/(loss) on disposal of investment properties and changes in fair value of investment properties are presented in "other income/(losses)" and "valuation gains on investment properties" in the consolidated statements of comprehensive income, respectively.

(b) The investment properties were under medium-term leases in the PRC.

(c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 20(i).

(d) As at 31 December 2017, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB2,216,148,000 (2016: RMB1,661,496,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(e) As at 31 December 2017, completed investment properties with carrying value of RMB70,375,000 of the Group (2016: RMB69,168,000), were pledged with banks to secure banking facilities of a third party of the Group until June 2018.

(f) As at 31 December 2017, certain investment properties with carrying value of RMB1,294,400,000 (2016: RMB1,273,000,000) of the Group are not permitted for sale until the end of May 2021.

12 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2017, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and the Company has the power to govern, particulars of which are set out below:

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
1 Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司**	Guangxi Zhuang, Autonomous Region, the PRC	RMB192,525,900	100%	–	100%	Property development
2 Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司*	Beijing, the PRC	RMB1,000,000,000	100%	–	100%	Investment holding
3 Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100") 重慶陽光壹佰房地產開發有限公司*	Chongqing, the PRC	RMB100,000,000	100%	–	100%	Property development
4 Qing Yuan Liantou Properties Limited ("Qing Yuan Liantou Properties") 清遠聯投置業有限公司*	Guangdong Province, the PRC	HKD256,000,000	55%	–	55%	Property development
5 Hubei Sunshine 100 Real Estate Development Co., Ltd. ("Hubei Sunshine 100") 湖北陽光一百房地產開發有限公司*	Hubei Province, the PRC	RMB385,628,100	100%	–	100%	Property development
6 Wuxi Suyuan Real Estate Co., Ltd. ("Wuxi Suyuan") 無錫蘇源置業有限公司*	Jiangsu Province, the PRC	RMB300,000,000	100%	–	100%	Property development
7 Sunshine 100 Real Estate (Liaoning) Co., Ltd. ("Liaoning Sunshine 100") 陽光一百置業(遼寧)有限公司*	Liaoning Province, the PRC	USD169,000,000	100%	–	100%	Property development

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
8 Chang Jia International Limited ("Chang Jia")長佳國際有限公司	The BVI	USD50,000	55%	–	55%	Investment holding *Note (i)*
9 Jinan Sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司*	Shandong Province, the PRC	RMB100,000,000	49%	–	49%	Property development *Note (i)*
10 Liuzhou Sunshine Xinqiannian Real Estate Development Co,. Ltd. ("Liuzhou Xinqiannian") 柳州陽光新千年房地產開發有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	98.75%	–	98.75%	Property development
11 Lijiang Snow Mountain Investment Co., Ltd. ("Lijiang Snow Mountain") 麗江雪山投資有限責任公司*	Yunnan Province, the PRC	RMB261,500,000	51%	–	51%	Property development
12 Wuxi Jintao Real Estate Development Co., Ltd. ("Wuxi Jintao") 無錫金濤置業發展有限公司*	Jiangsu Province, The PRC	RMB150,000,000	80%	–	80%	Property development
13 Wenzhou Center Plaza Construction Development Co., Ltd. ("Wenzhou Center") 溫州中心大廈建設發展有限公司*	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development *Notes (i)*
14 Wenzhou Shihe Ecological Town Development Co., Ltd. ("Wenzhou Shihe") 溫州世和生態城開發有限公司*	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
15 Chongqing Jiadao Real Estate Development Co., Ltd. ("Chongqing Jiadao") 重慶嘉道房地產開发有限公司*	Chongqing, the PRC	RMB20,000,000	45%	–	45%	Property development
16 Sunshine 100 Real Estate (Hunan) Development Co., Ltd. ("Hunan Sunshine 100") 陽光壹佰(湖南)置業發展有限責任公司*	Hunan Province, the PRC	RMB105,880,000	100%	–	100%	Property development
17 Sunmode Limited ("Sunmode") 新進有限公司	the BVI	USD50,000	100%	100%	–	Investment holding
18 Beijing Century Chengjing Investment Co., Ltd. ("Beijing Century") 北京世紀程景投資有限公司*	Beijing, the PRC	RMB10,000,000	100%	–	100%	Investment holding
19 Beijing Sunshine 100 Assets Operation Co., Ltd. ("Beijing Asset Operation") 北京陽光壹佰資產經營有限公司*	Beijing, the PRC	RMB10,000,000	100%	–	100%	Investment holding
20 Beijing Sunshine 100 Property Services Co., Ltd. ("Beijing Sunshine 100 Property Services") 北京陽光壹佰物業服務有限公司*	Beijing, the PRC	RMB3,000,000	100%	–	100%	Property management
21 Chongqing Rambo Family Hotel Property Services Co., Ltd. ("Chongqing Rambo Family Hotel") 重慶蘭博世家酒店物業服務有限公司*	Chongqing, the PRC	RMB6,000,000	100%	–	100%	Property management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
22 Gold Leader (Qing Yuan) Properties Limited ("Gold Leader (Qing Yuan)") 金倫(清遠)置業有限公司*	Guangdong Province, the PRC	HKD168,000,000	55%	–	55%	Property development
23 Qing Yuan Delun Properties Limited ("Qing Yuan Delun") 清遠德倫置業有限公司*	Guangdong Province, the PRC	HKD39,355,600	55%	–	55%	Property development
24 Qingyuan Weitai Properties Ltd. ("Qingyuan Weitai") 清遠威泰置業有限公司*	Guangdong Province, the PRC	HKD128,000,000	55%	–	55%	Property development
25 Rich Hope (Qingyuan) Properties Ltd. ("Rich Hope (Qingyuan)") 威康(清遠)置業有限公司*	Guangdong Province, the PRC	HKD227,000,000	55%	–	55%	Property development
26 Guilin Pingle Sunshine 100 Real Estate Investment Co., Ltd. ("Guilin Pingle Sunshine 100") 桂林平樂陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	75%	–	75%	Property and land development
27 Guangxi Lijin Hotel Management Co., Ltd. ("Guangxi Lijin") 廣西儷錦酒店投資管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	75%	–	75%	Hotel management
28 Liuzhou Lisheng Hotel Management Co., Ltd. ("Liuzhou Lisheng") 柳州麗笙酒店有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB62,500,000	99.2%	–	99.2%	Hotel management
29 Liuzhou Sunshine 100 Real Estate Co., Ltd. ("Liuzhou Sunshine 100") 柳州陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	75%	–	75%	Property development

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
30 Nanning Sunshine 100 Real Estate Co., Ltd. ("Nanning Sunshine 100") 南寧陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	51%	–	51%	Investment holding
31 Nanning Zhuangye Real Estate Development Co., Ltd. ("Nanning Zhuangye") 南寧壯業房地產開發有限責任公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB20,000,000	26%	–	26%	Property development
32 Wuhan Sunshine 100 Real Estate Co., Ltd. ("Wuhan Sunshine 100") 武漢陽光壹佰置業有限公司*	Hubei Province, the PRC	RMB50,000,000	100%	–	100%	Property development
33 Sunshine 100 Property Development Co., Ltd. ("Sunshine 100 Property Development") 陽光壹佰物業發展有限公司*	Hunan Province, the PRC	RMB50,000,000	100%	–	100%	Property management
34 Liaoning Yingda Weihua Real Estate Development Co., Ltd. ("Yingda Weihua") 遼寧鷹達衛華房地產開發有限公司*	Liaoning Province, the PRC	RMB150,000,000	51%	–	51%	Property development
35 Shenyang Sunshine 100 Assets Operation Co., Ltd. ("Shenyang Assets Operation") 瀋陽陽光壹佰資產經營有限公司*	Liaoning Province, the PRC	RMB1,000,000	100%	–	100%	Property management
36 Dongying Shengxing Real Estate Co.,Ltd. ("Dongying Shengxing") 東營勝興置業有限公司*	Shandong Province, the PRC	RMB80,000,000	100%	–	100%	Property development

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
37 Weifang Sunshine 100 Real Estate Co., Ltd. ("Weifang Sunshine 100") 濰坊陽光壹佰置業有限公司*	Shandong Province, the PRC	RMB200,000,000	100%	–	100%	Property and land development
38 Yantai Yindu Real Estate Co., Ltd. ("Yantai Yindu") 煙台銀都置業有限公司*	Shandong Province, the PRC	RMB15,000,000	100%	–	100%	Property development
39 Yantai Sunshine 100 Commercial Development Co., Ltd. ("Yantai Commercial Development") 煙台陽光壹佰商業發展有限公司*	Shandong Province, the PRC	RMB5,000,000	100%	–	100%	Property investment
40 Yantai Sunshine 100 Real Estate Development Co., Ltd. ("Yantai Sunshine 100") 煙台陽光壹佰房地產開發有限公司*	Shandong Province, the PRC	RMB200,000,000	100%	–	100%	Property development
41 Chengdu Xin Sheng Yuan Real Estate Development Co., Ltd. ("Chengdu Xin Sheng Yuan") 成都鑫勝源房地產開發有限公司*	Sichuan Province, the PRC	RMB20,000,000	100%	–	100%	Property development
42 Sunshine 100 Real Estate (Chengdu) Co., Ltd. ("Chengdu Sunshine 100") 陽光壹佰置業(成都)有限公司*	Sichuan Province, the PRC	RMB200,000,000	100%	–	100%	Property and land development
43 Tianjin Lande 100 Real Estate Investment Co., Ltd. ("Tianjin Lande") 天津蘭德壹佰房地產投資有限公司*	Tianjin, the PRC	RMB100,000,000	51%	–	51%	Investment holding

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
44 Tianjin Meidinghui Commercial Investment Management Co., Ltd. ("Tianjin Meidinghui") 天津美鼎惠商業投資管理有限公司*	Tianjin, the PRC	RMB12,000,000	86%	–	86%	Property investment
45 Tianjin Sentai 100 Real Estate Investment Co., Ltd. ("Tianjin Sentai 100") 天津森泰壹佰置業投資有限公司*	Tianjin, the PRC	RMB100,000,000	52%	–	52%	Property development
46 Tianjin Sunshine 100 Property Services Co., Ltd. ("Tianjin Sunshine 100 Property Services") 天津陽光壹佰物業服務有限公司*	Tianjin, the PRC	RMB6,000,000	100%	–	100%	Property management
47 Tianjin Sunshine 100 Real Estate Development Co., Ltd. ("Tianjin Sunshine 100") 天津陽光壹佰房地產開發有限公司*	Tianjin, the PRC	RMB78,000,000	86%	–	86%	Property development
48 Tianjin Wanyi Real Estate Asset Operation Co., Ltd. ("Tianjin Real Estate Operation") 天津萬怡房地產經營有限公司*	Tianjin, the PRC	RMB500,000	100%	–	100%	Agency service for property sales
49 Chengdu Shen Teng Xiang Construction and Decoration Co., Ltd. ("Chengdu Shen Teng Xiang") 成都盛騰翔建築裝飾工程有限公司*	Sichuan Province, the PRC	RMB2,000,000	100%	–	100%	Decoration and design project
50 Jinan Wanyi Properties Management Co., Ltd. ("Jinan Wanyi") 濟南萬怡物業服務有限公司*	Shandong Province, the PRC	RMB6,000,000	49%	–	49%	Properties management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
51 Guangxi Jingqi Investment Co., Ltd. ("Guangxi Jingqi") 廣西景祺投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB100,000,000	100%	–	100%	Investment holding
52 Guilin Sunshine 100 Real Estate Co., Ltd. ("Guilin Sunshine 100") 桂林陽光壹佰置業有限公司	Guangxi Zhuang Autonomous Region, the PRC	RMB30,000,000	100%	–	100%	Property development
53 Liuzhou Liyi Hotel Management Co., Ltd. ("Liuzhou Liyi") 柳州麗怡酒店管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB1,000,000	75%	–	75%	Hotel management
54 Yantai Sunshine Shengtong Investment Co., Ltd. ("Yantai Shengtong") 煙台陽光盛通投資有限公司*	Shandong Province, the PRC	RMB20,000,000	100%	–	100%	Investment holding
55 Riverside Investment Ltd. ("Riverside")	Mauritius	USD107,175,935	100%	–	100%	Investment holding
56 Chongqing Himalayan Hotel Property Management Co., Ltd. ("Chongqing Himalayan") 重慶喜馬拉雅酒店物業管理有限公司*	Chongqing, the PRC	RMB5,000,000	100%	–	100%	Property management
57 Wenzhou Himalayan Hotel Property Management Co., Ltd. ("Wenzhou Himalayan") 溫州喜馬拉雅酒店物業管理有限公司*	Zhejiang Province, the PRC	RMB10,000,000	100%	–	100%	Property management
58 Chongqing Sunshine 100 Hotel Management Co., Ltd. ("Chongqing Sunshine 100 Hotel Management") 重慶陽光壹佰酒店管理有限公司*	Chongqing, the PRC	RMB5,000,000	100%	–	100%	Hotel management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
59 Weifang Liyi Hotel Management Co., Ltd. ("Weifang Liyi Hotel Management") 濰坊麗怡酒店管理有限公司*	Shandong Province, the PRC	RMB10,000,000	100%	–	100%	Hotel management
60 Sunshine 100 Resort Development Co., Ltd. ("Sunshine 100 Resort")	Saipan, CNMI	USD1,000,000	51%	–	51%	Property development
61 Guangxi Rongyue Consulting Service Co., Ltd. ("Guangxi Rongyue") 廣西榮悦諮詢服務有限公司**	Guangxi Zhuang Autonomous Region, the PRC	USD500,000	100%	–	100%	Consulting service
62 Beijing Sunshine Star International Management Consulting Co., Ltd. ("Beijing Sunshine Star") 北京陽光之星國際管理咨詢有限公司*	Beijing, the PRC	RMB1,000,000	100%	–	100%	Investment holding
63 Beijing Yibang Real Estate Development Co., Ltd. ("Beijing Yibang") 北京益邦房地產開發有限公司*	Beijing, the PRC	RMB50,000,000	100%	–	100%	Dormant
64 Luen Thai (Qing Yuan) Real Estate Co., Ltd. ("Luen Thai (Qing Yuan)") 聯泰(清遠)房地產有限公司*	Guangxi Zhuang Autonomous Region, the PRC	HKD53,500,000	55%	–	55%	Property development
65 Guangxi Sunshine 100 Asset Management Co., Ltd. ("Guangxi Sunshine 100") 廣西陽光壹佰資產管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB2,000,000	100%	–	100%	Investment holding

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
66 Guilin Pingle Sunshine 100 Nonglinye Co., Ltd. ("Guilin Nonglinye") 桂林平樂陽光壹佰農林業有限公司*	Guangxi Zhuang Autonomous Region the PRC	RMB4,500,000	100%	–	100%	Landscaping service
67 Liuzhou Hedingshun Commercial Investment Co., Ltd. ("Liuzhou Hedingshun") 柳州和鼎順商業投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB5,000,000	75%	–	75%	Property investment
68 Liuzhou Yuandingchang Commercial Investment Co., Ltd. ("Liuzhou Yuandingchang") 柳州元鼎昌商業投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB5,000,000	75%	–	75%	Property investment
69 Hunan Hui Jin Decoration and Design Co., Ltd. ("Hunan Hui Jin") 湖南滙金裝飾設計工程有限公司*	Hunan Province, the PRC	RMB3,000,000	100%	–	100%	Decoration and design project
70 Wuxi Liao Hong Tian Construction and Decoration Co., Ltd. ("Wuxi Liaohongtian") 無錫遼紅天建築裝飾工程有限公司*	Jiangsu Province the PRC	RMB10,000,000	100%	–	100%	Construction and decoration project
71 Wuxi Wanyi Nonglin Co., Ltd. ("Wuxi Nonglin") 無錫萬怡農林有限公司*	Jiangsu Province, the PRC	RMB3,000,000	100%	–	100%	Landscaping service
72 Dongying Wanyi Commerce and Trade Co., Ltd. ("Dongying Wanyi") 東營萬怡商貿有限責任公司*	Shandong Province, the PRC	RMB20,000,000	100%	–	100%	Retail

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
73 Yantai Sunshine Star Shopping Center Management Co., Ltd. ("Yantai Sunshine Star Shopping") 煙台陽光之星購物中心管理有限公司*	Shandong Province, the PRC	RMB10,000,000	100%	–	100%	Dormant
74 Tianjin Mart Time Commercial Investment Management Co., Ltd. ("Tianjin Mart Time") 天津瑪特時光商業投資管理有限公司*	Tianjin, the PRC	RMB10,000,000	86%	–	86%	Property investment
75 Hangzhou Hengxin 100 Industrial Co., Ltd. ("Hangzhou Hengxin 100") 杭州恒信壹佰實業有限公司*	Zhejiang Province, the PRC	RMB420,000,000	100%	–	100%	Investment holding
76 Eminent Star Group Limited ("Eminent Star") 卓星集團有限公司	the BVI	USD50,000	55%	–	55%	Investment holding
77 Lofty Talent Limited ("Lofty Talent") 崴駿有限公司	the BVI	USD50,000	55%	–	55%	Investment holding
78 Keyasia Investment Limited ("Keyasia") 基亞投資有限公司	the BVI	USD50,000	100%	–	100%	Investment holding
79 East Talent Properties Limited ("East Talent") 東泰置業有限公司	Hong Kong, Special Administrative Region ("SAR")	HKD10,000	55%	–	55%	Investment holding
80 Gold Leader Properties Limited ("Gold Leader") 金倫置業有限公司	Hong Kong, SAR	HKD10,000	55%	–	55%	Investment holding

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
81 Rich Hope Properties Limited ("Rich Hope") 威康置業有限公司	Hong Kong, SAR	HKD10,000	55%	–	55%	Investment holding
82 Top Leader Properties Limited ("Top Leader") 德龍置業有限公司	Hong Kong, SAR	HKD10,000	55%	–	55%	Investment holding
83 Victory Land Properties Limited ("Victory Land") 凱龍置業有限公司	Hong Kong, SAR	HKD1	55%	–	55%	Investment holding
84 Victory Link Properties Limited ("Victory Link") 偉隆置業有限公司	Hong Kong, SAR	HKD10,000	55%	–	55%	Investment holding
85 Guilin Pingle Sunshine100 Travel Co., Ltd. ("Guilin Pingle") 桂林平樂陽光壹佰旅遊有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB30,000,000	75%	–	75%	Tourism
86 Chengdu Zhanyu Enterprise Management Co., Ltd. ("Chengdu Zhanyu") 成都展宇企業管理有限公司*	Sichuan Province, the PRC	RMB2,000,000	100%	–	100%	Enterprise management
87 Shanghai Zhentong Commerce and Trade Co., Ltd. ("Shanghai Zhentong") 上海臻通貿易有限公司*	Shanghai the PRC	RMB100,000,000	100%	–	100%	Retail
88 Shenzhen Qianhai Xingshuntong Industrial Co., Ltd. ("Qianhai Xingshuntong") 深圳市前海興順通實業有限公司*	Guangdong Province, the PRC	RMB100,000,000	100%	–	100%	Investment Holding

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
89 Changzhou Kailei Real Estate Co., Ltd. ("Changzhou Kailei") 常州凱雷置業有限公司**	Jiangsu Province, the PRC	RMB100,000,000	51%	–	51%	Property development
90 Wuxi Sunshine 100 Business Management Co., Ltd. ("Wuxi Business Management") 無錫陽光壹佰商業管理有限公司*	Jiangsu Province, the PRC	RMB1,000,000	100%	–	100%	Business management
91 Weifang 100 Commercial and Trading Co., Ltd. ("Weifang Commercial and Trading") 濰坊壹佰貨商貿有限公司*	Shandong Province, the PRC	RMB4,000,000	100%	–	100%	Retail
92 Shenyang 100 Department Store Co., Ltd. ("Shenyang 100 Store") 沈陽壹佰百貨有限公司*	Liaoning Province, the PRC	RMB30,000,000	100%	–	100%	Retail
93 Hunan Huiyi Enterprise Management Co., Ltd. ("Hunan Huiyi") 湖南匯益企業管理有限公司*	Hunan Province, the PRC	RMB5,000,000	100%	–	100%	Enterprise Management
94 Xizang Sunshine 100 Sales Management Co., Ltd. ("Xizang Sales Management") 西藏陽光壹佰營銷管理有限公司*	Tibet Autonomous Region, the PRC	RMB100,000,000	100%	–	100%	Sales Management
95 Wuxi Yitou Development Co., Ltd. ("Wuxi Yitou") 無錫藝投開發有限責任公司	Jiangsu Province, the PRC	RMB30,000,000	100%	–	100%	Property development
96 Chongqing Chengfuyan Catering Management Co., Ltd. ("Chongqing Chengfuyan") 重慶程府宴餐飲管理有限公司	Chongqing the PRC	RMB7,000,000	70%	–	70%	Catering Management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
97 Wuhan Xinghe Shiji Construction and Decoration Co., Ltd. ("Wuhan Xinghe") 武漢興和世紀建築裝飾工程有限公司	Hubei Province, the PRC	RMB20,000,000	100%	–	100%	Decoration and design project
98 Chengdu Fengruide Enterprise Management and Consulting Co., Ltd. ("Chengdu Fengruide") 成都豐瑞德企業管理諮詢有限公司	Sichuan Province, the PRC	RMB1,000,000	100%	–	100%	Enterprise management
99 Yixing Yuandian Cultural Development Co., Ltd. ("Yixing Yuandian") 宜興原點文化發展有限公司	Jiangsu Province the PRC	RMB10,000,000	100%	–	100%	Culture development
100 Chengdu Yibai Real Estate Co., Ltd. ("Chengdu Yibai") 成都壹佰置業有限公司	Sichuan Province, the PRC	RMB100,000,000	70%	–	70%	Property development
101 Xinglonxian Beida Qingniao Wireless Internet Investment Co., Ltd. ("Xinglonxian Beida Qingniao") 興隆縣北大青鳥無線互聯投資有限公司	Hebei Province, the PRC	RMB100,000,000	100%	–	100%	Investment holding
102 Guangxi Rongyue Consulting Service Co.,Ltd. ("Guangxi Rongyue") 廣西榮悅諮詢服務有限公司	Guangxi Zhuang, Autonomous Region, the PRC	USD500,000	100%	–	100%	Consulting service
103 Xinglongxian Huamao Construction and Development Co., Ltd. ("Xinglong Huamao") 興隆縣華貿建設開發公司	Hebei Province, the PRC	RMB50,000,000	80.0010%	–	80.0010%	Construction Development

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
104 NianHua (Beijing) Culture and Creativity Development Co.,Ltd. ("NianHua Culture") 拈花(北京)文化創意發展有限公司	Beijing, the PRC	RMB50,000,000	100%	–	100%	Culture development
105 Wuhan Yihai Jiaye Real Estate Development Co., Ltd. ("Wuhan Yihai") 武漢易海嘉業房地產開發有限公司	Hubei Province, the PRC	RMB100,000,000	100%	–	100%	Property development
106 Yantai Sunshine 100 YouChuang Enterprise Management and Consulting Co.,Ltd. ("Yantai YouChuang") 煙台陽光壹佰優創企業管理諮詢有限公司	Shandong Province the PRC	RMB2,000,000	100%	–	100%	Consulting Management
107 Putian Sunshine 100 Enterprise Management Services Co., Ltd. ("Putian Management") 莆田陽光壹佰企業管理服務有限公司	Fujian Province, the PRC	RMB10,000,000	100%	–	100%	Enterprise Management
108 Chongqing Sunshine 100 Commercial Operating Management Co., Ltd. ("Chongqing Commercial") 重慶陽光壹佰商業運營管理有限公司	Chongqing, the PRC	RMB5,000,000	100%	–	100%	Commercial Management
109 Huizhou Sunshine 100 Real Estate Co., Ltd. ("Huizhou Sunshine 100") 惠州陽光壹佰置業有限公司	Guangdong Province, the PRC	RMB100,000,000	80%	–	80%	Property development

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
110 Shenzhen Shoujia Holding and Development Co., Ltd. ("Shenzhen Shoujia") 深圳首佳控股發展有限公司	Guangdong Province, the PRC	RMB5,100,000	100%	–	100%	Domestic Trade
111 Yixing Wen Chuang Zhanyu Enterprise Management Co., Ltd. ("Yixing Zhanyu") 宜興文創展宇企業管理有限公司	Jiangsu Province, the PRC	RMB2,000,000	100%	–	100%	Enterprise Management
112 Guilin Pingle language and Culture Communication Co. Ltd. ("Guilin Yuyan") 桂林平樂和合語言文化傳播有限公司	Guangxi Zhuang, Autonomous Region, the PRC	RMB100,000	100%	–	100%	Culture development
113 Yantai Sunshine 100 Property Management Service Co.,Ltd. ("Yantai Management") 煙台陽光壹佰物業管理服務有限公司	Shandong Province, the PRC	RMB5,000,000	100%	–	100%	Property management
114 Zhong Cheng Sunshine Real Estate Development Co., Ltd. (Zhongcheng Sunshine) 中程陽光房地產開發有限公司	Beijing, the PRC	RMB100,000,000	80%	–	80%	Property development

* The Company is registered as a limited liability company in the PRC.

** The Company is registered as a sino-foreign equity joint venture enterprise in the PRC.

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Note:

(i) The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Wenzhou Center, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Jinan Sunshine 100

	2017 *RMB'000*	2016 *RMB'000*
NCI percentage	**51%**	51%
Current assets	**1,684,953**	2,217,431
Non-current assets	**1,266,794**	1,044,501
Current liabilities	**(880,157)**	(1,140,101)
Non-current liabilities	**(894,534)**	(1,249,420)
Net assets	**1,177,056**	872,411
Carrying amount of NCI	**600,299**	444,930
Revenue	**1,096,169**	1,147,180
Profit for the year	**207,491**	170,109
Total comprehensive income	**304,645**	170,109
Profit allocated to NCI	**155,369**	86,756
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**147,202**	217,776
Cash flows from investing activities	**(257)**	(34)
Cash flows from financing activities	**(30,000)**	(593)

Chang Jia

	2017 *RMB'000*	2016 *RMB'000*
NCI percentage	**45%**	45%
Current assets	**3,399,095**	2,535,468
Non-current assets	**89,820**	302,520
Current liabilities	**(2,531,036)**	(2,209,811)
Non-current liabilities	**(444,189)**	(240,237)
Net assets	**513,690**	387,940
Carrying amount of NCI	**231,161**	174,573
Revenue	**1,008,524**	999,210
Profit for the year	**125,750**	50,030
Total comprehensive income	**125,750**	50,030
Profit allocated to NCI	**56,588**	22,514
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**1,073,300**	276,373
Cash flows from investing activities	**(795,770)**	106,702
Cash flows from financing activities	**326,141**	(299,341)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Note: (Continued)

(i) (Continued)

Wenzhou Center

	2017 RMB'000	2016 RMB'000
NCI percentage	**49%**	49%
Current assets	**3,171,587**	3,089,881
Non-current assets	**922,110**	883,889
Current liabilities	**(2,640,301)**	(2,225,542)
Non-current liabilities	**(932,081)**	(1,314,590)
Net assets	**521,315**	433,638
Carrying amount of NCI	**255,444**	212,483
Revenue	**–**	–
Profit/(loss) for the year	**87,677**	(16,570)
Total comprehensive income	**87,677**	(16,570)
Gain/(loss) allocated to NCI	**42,961**	(8,119)
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**386,835**	411,658
Cash flows from investing activities	**(143)**	(74)
Cash flows from financing activities	**(330,000)**	(197,565)

13 INVESTMENTS IN ASSOCIATES

The following list contains only the particulars of the material associates, all of which are unlisted corporate entities incorporated in the PRC, whose quoted market prices are not available.

Name of company	Place of incorporation	Particulars and paid-in capital RMB'000	Proportion of ownership interest held by subsidiaries	Principal activity
1 Chongqing Yuneng Wanyi Real Estate Co., Ltd. ("Chongqing Yuneng Wanyi") 重慶渝能萬怡房地產開發有限公司	Chongqing, the PRC	80,000	30%	Property development
2 Beijing Yinxin Guanghua Real Estate Development Co., Ltd. ("Beijing Yinxin") 北京銀信光華房地產開發有限公司	Beijing, the PRC	66,660	49%	Property investment

All of the associates are accounted for using the equity method in the consolidated financial statements.

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2017 *RMB'000*	2016 *RMB'000*
Chongqing Yuneng Wanyi		
Current assets	**299,210**	315,730
Non-current assets	**312,801**	311,605
Current liabilities	**(425,619)**	(430,862)
Non-current liabilities	**(18,066)**	(17,766)
Equity	**168,326**	178,707
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**168,326**	178,707
Group's effective interest	**30%**	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**50,498**	53,612
Revenue	**23,864**	61,948
Loss from continuing operations	**(10,381)**	(9,273)
Total comprehensive income	**(10,381)**	(9,273)
Dividends received from the associate	**–**	–
Beijing Yinxin		
Current assets	**172,695**	166,957
Non-current assets	**1,194,823**	1,146,819
Current liabilities	**(99,905)**	(105,575)
Non-current liabilities	**(301,650)**	(289,625)
Equity	**965,963**	918,576
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**965,963**	918,576
Group's effective interest	**49%**	49%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**473,321**	450,102
Revenue	**14,882**	22,070
Profit from continuing operations	**47,387**	172,394
Total comprehensive income	**47,387**	172,394
Dividends received from the associate	**–**	–

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**233,197**	138,290
Aggregate amounts of the Group's share of those associates'		
– Loss from continuing operations	**(9,236)**	(11,088)
– Total comprehensive income	**(9,236)**	(11,088)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 RMB'000	2016 RMB'000
PRC Corporate Income Tax payable	**673,759**	642,813
Land Appreciation Tax payable	**291,207**	378,039
	964,966	1,020,852

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognized:

(i) Movements of each component of deferred tax assets and liabilities

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

	Note	Tax losses	Land development for sale, properties under development and completed properties held for sale	Investment properties	Property and equipment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016		202,109	(1,295,694)	(1,175,265)	(9,388)	(2,278,238)
Acquisition of subsidiaries		–	(16,944)	–	–	(16,944)
Credited/(charged) to profit or loss	5(a)	200,690	(31,866)	(214,623)	931	(44,868)
At 31 December 2016		402,799	(1,344,504)	(1,389,888)	(8,457)	(2,340,050)
At 1 January 2017		**402,799**	**(1,344,504)**	**(1,389,888)**	**(8,457)**	**(2,340,050)**
Credited/(charged) to profit or loss	5(a)	**98,981**	**(38,535)**	**(177,571)**	**183**	**(116,942)**
Charged to other comprehensive income		**-**	**-**	**-**	**(1,057)**	**(1,057)**
At 31 December 2017		**501,780**	**(1,383,039)**	**(1,567,459)**	**(9,331)**	**(2,458,049)**

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognized: (Continued)

(ii) Reconciliation to the consolidated statement of financial position:

	2017 **RMB'000**	2016 RMB'000
Deferred tax assets recognized in the consolidated statement of financial position	**1,071,458**	1,010,103
Deferred tax liabilities recognized in the consolidated statement of financial position	**(3,529,507)**	(3,350,153)
	(2,458,049)	(2,340,050)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 1(u), the Group has not recognized deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB756,408,000 at 31 December 2017 (2016: RMB738,857,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant subsidiaries. As at 31 December 2017, RMB248,358,000, RMB77,244,000, RMB113,853,000, RMB172,415,000 and RMB144,538,000 of these tax losses will expire in 2018, 2019, 2020, 2021 and 2022, respectively.

(d) Deferred tax liabilities not recognized

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future. As at 31 December 2017, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB5,574,975,000 (2016: RMB4,758,365,000). Deferred tax liabilities of RMB557,498,000 (2016: RMB475,837,000) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

15 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2017 RMB'000	2016 RMB'000
Properties under development	**20,909,265**	19,816,443
Completed properties held for sale	**7,270,858**	8,546,035
	28,180,123	28,362,478

(a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	2017 RMB'000	2016 RMB'000
In the PRC		
– Long-term lease	**2,641,935**	4,188,264
– Medium-term lease	**1,836,830**	2,153,980
	4,478,765	6,342,244

(b) The amount of properties under development expected to be recovered after more than one year is analyzed as follows:

	2017 RMB'000	2016 RMB'000
Properties under development	**14,103,436**	10,244,152

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

15 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

(c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of properties sold	**5,004,432**	5,489,736
(Reversal of)/write-down of properties under development and completed properties held for sale	**(23,772)**	48,113
	4,980,660	5,537,849

(d) Certain properties under development and completed properties held for sale of the Group were pledged against the loans and borrowings, details are set out in Note 20(i).

16 LAND DEVELOPMENT FOR SALE

	2017 RMB'000	2016 RMB'000
Land development for sale	**1,136,350**	784,398

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realized in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(w)(ii), revenue in relation to land development for sale is recognized depending on the timing of sales of related land plots by the government to third parties.

17 TRADE AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Trade receivables, net of allowance for doubtful debts of RMB Nil	(a)	**930,582**	934,370
Advances provided to third parties	(b)	**4,270,640**	2,813,436
Amounts due from related parties	(c)	**54,103**	1,500
Other receivables		**233,288**	230,918
		5,488,613	3,980,224
Less: Allowance for doubtful debts	(d)	**9,619**	9,536
Loans and receivables	(e)	**5,478,994**	3,970,688
Deposits and prepayments		**1,939,860**	1,697,878
		7,418,854	5,668,566
Less: Non-current portion of other receivables		**338,948**	137,348
		7,079,906	5,531,218

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**128,331**	159,637
6 months to 1 year	**43,698**	26,081
Over 1 year	**758,553**	748,652
	930,582	934,370

Except that trade receivables related to payment by instalments are due according to contract payment terms, other trade receivables are due from the date of billing. Further details on the Group's credit policy are set out in Note 26(a).

(b) Advances provided to third parties

The balance mainly represented loans provided to third parties which are interest bearing at 0% to 15% per annum and due in 2018, 2019 and 2020, respectively.

(c) Amounts due from related parties

The balance amounting to RMB3,000,000 as at 31 December 2017 (2016: RMB1,500,000) represented loans provided to an associate, bearing an interest rate at 4.85% per annum and will be matured on 15 August 2018.

The balance amounting to RMB51,103,000 as at 31 December 2017 (2016: RMB Nil) represented loans provided to an associate, bearing an interest rate at 12% per annum, unsecured and had no fixed terms of repayment.

(d) Impairment of loans and receivables

Impairment losses in respect of loans and receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans and receivables directly (see Note 1(l)(i)).

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Loans and receivables that are not impaired

The ageing analysis of loans and receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**4,550,433**	2,976,381
1 to 6 months past due	**203,607**	194,574
6 months to 1 year past due	**26,747**	26,081
More than 1 year past due	**698,207**	773,652
	928,561	994,307
	5,478,994	3,970,688

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired included revenue from land development for sale of RMB581,089,000 as at 31 December 2017 and 31 December 2016 from the government of Chenghua District, Chengdu. Based on a series of agreements entered into by the Group and the government of Chenghua District, Chengdu, the Group is entitled to receive RMB581,089,000 and the government issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a penalty of RMB15,000,000. The first trial was called in court on 17 June 2015. During the first trial, the judge asked the Group and the government of Chenghua District, Chengdu to further negotiate about the settlement of the receivables. As of the date of this report, the Group is still negotiating with the government of Chenghua District, Chengdu.

As at 31 December 2017 and 31 December 2016, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the government of Chenghua District, Chengdu was required, as supported by a legal opinion on the result of the lawsuit received by the Group, and there is no indication that the government of Chenghua District, Chengdu will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, the management believes that no impairment allowance is necessary in respect of these balances and the balances are still considered fully recoverable.

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Loans and receivables that are not impaired (Continued)

Receivables that were past due but not impaired included advances provided to third parties amounting to RMB152,981,000 (2016:RMB224,948,000). Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. Based on past experience, the management believes that no impairment allowance 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. Of the remaining balances that were past due but not impaired, the Group holds the title of the property units as collateral over the balance of trade receivables of RMB194,491,000 (2016: RMB188,270,000).

18 RESTRICTED DEPOSITS

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current restricted deposits for:			
– Guarantee for mortgage loans	(i)	**–**	33,457
– Guarantee for construction fees	(iii)	**8,066**	55,640
– Restricted cash related to pre-sale proceeds received	(v)	**54,269**	106,170
– Guarantee for loans and borrowings	20(i)	**–**	143,604
		62,335	338,871
Current restricted deposits for:			
– Guarantee for mortgage loans	(i)	**178,565**	176,421
– Guarantee for demolition fees	(ii)	**19,860**	21,506
– Guarantee for construction fees	(iii)	**67,013**	25,246
– Guarantee for bills payable	(iv)	**12,970**	40,000
– Restricted cash related to pre-sale proceeds received	(v)	**436,115**	325,841
– Guarantee for loans and borrowings	20(i)	**173,255**	1,367,689
		887,778	1,956,703
		950,113	2,295,574

18 RESTRICTED DEPOSITS (CONTINUED)

The above restricted deposits are restricted as follows:

(i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2017, the Group had restricted bank deposits of RMB178,565,000 (2016: RMB209,878,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.

(ii) As at 31 December 2017, the Group had restricted bank deposits of RMB19,860,000 (2016: RMB21,506,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iii) As at 31 December 2017, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB75,079,000 (2016: RMB80,886,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iv) As at 31 December 2017, the Group had restricted bank deposits with terms of one to six months of RMB12,970,000 (2016: RMB40,000,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB490,384,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2017 (2016: RMB432,011,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Cash on hand	**1,602**	671
Cash at bank	**4,652,587**	4,467,060
Cash and cash equivalents in the consolidated cash flow statement	**4,654,189**	4,467,731

(b) Reconciliation of liabilities arising from financing activities

	Loans and borrowings RMB'000 Note (i)	Senior Notes RMB'000 Note 20(a)/(b)	Corporate bonds RMB'000 Note 20(c)	Convertible bonds RMB'000 Note 20(d)	Restricted deposits for guarantee for loans and borrowings RMB'000 Note 18	Interest payables RMB'000 Note (ii)	Deposits related to loan RMB'000 Note (iii)	Amount due to related parties RMB'000 Note 21(c)	Total RMB'000
At 1 January 2017	15,932,721	1,469,315	7,888,445	1,461,978	(1,511,293)	579,363	(86,808)	145,209	25,878,930
Changes from financing cash flow:									
Proceeds from loans and borrowings	8,206,373	–	–	–	–	–	(29,825)	–	8,176,548
Proceeds from issue of senior notes	–	1,542,576	–	–	–	–	–	–	1,542,576
Repayment of loans and borrowings	(8,181,466)	–	–	–	–	–	–	–	(8,181,466)
Repayment of senior notes	–	(1,425,128)	–	–	–	–	–	–	(1,425,128)
Interest paid	–	–	–	(87,594)	–	(2,246,852)	–	(89,866)	(2,424,312)
Decrease in restricted deposits	–	–	–	–	1,338,038	–	–	–	1,338,038
Advances from related parties	–	–	–	–	–	–	–	160	160
Repayment of advances from related parties	–	–	–	–	–	–	–	(28,214)	(28,214)
Total changes from financing cash flow	24,907	117,448	–	(87,594)	1,338,038	(2,246,852)	(29,825)	(117,920)	(1,001,798)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Loans and borrowings	Senior Notes	Corporate bonds	Convertible bonds	Restricted deposits for guarantee for loans and borrowings	Interest payables	Deposits related to loan	Amount due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (i)	*Note 20(a)/(b)*	*Note 20(c)*	*Note 20(d)*	*Note 18*	*Note (ii)*	*Note (iii)*	*Note 21(c)*	
Exchange adjustments	–	(88,076)	–	(96,802)	–	–	–	–	(184,878)
Changes in fair value	–	–	–	(84,589)	–	–	–	–	(84,589)
Other changes:									
Interest expenses *(Note 4(a))*	–	23,230	29,079	180,372	–	2,271,824	–	2,111	2,506,616
Conversion of convertible bonds	–	–	–	(5,295)	–	–	–	–	(5,295)
Total other changes	–	23,230	29,079	175,077	–	2,271,824	–	2,111	2,501,321
At 31 December 2017	15,957,628	1,521,917	7,917,524	1,368,070	(173,255)	604,335	(116,633)	29,400	27,108,986

Notes:

i Loans and borrowing consists of long-term loans and borrowing at amortized cost amounting to RMB14,825,397,000 and short-term loans and borrowing at amortized cost amounting to RMB1,132,231,000, included in Note 20.

ii Interest payables were included in “other payables” in “Trade and other payables”.

iii Deposits related to loans were included in “deposits and prepayments” in “Trade and other receivables”.

20 LOANS AND BORROWINGS

	Note	2017 RMB'000	2016 RMB'000
Loans and borrowings at amortized cost			
– Long-term		**14,825,397**	13,367,094
– Short-term		**1,132,231**	2,565,627
– 2014 Senior Notes	(a)	**–**	1,469,315
– 2017 Senior Notes	(b)	**1,521,917**	–
– Corporate bonds	(c)	**7,917,524**	7,888,445
		25,397,069	25,290,481
Convertible bonds	(d)	**1,368,070**	1,461,978
		26,765,139	26,752,459

(a) 2014 Senior Notes

The Company issued senior notes of aggregate amount of United States Dollar ("USD")115,000,000 and USD100,000,000 on 8 October 2014 and 10 December 2014, respectively (the "2014 Senior Notes"), which are interest bearing at 12.75% per annum, due in October 2017 and listed on the Stock Exchange of Hong Kong Limited.

As at 31 December 2016, the 2014 Senior Notes were guaranteed by the Company, Sunmode, Riverside and Keyasia, the four subsidiaries of the Company registered in Mauritius, the BVI and the Cayman Islands, respectively. The guarantees will be released upon the full and final payments of the 2014 Senior Notes.

In October 2017, the Company redeemed in whole the 2014 Senior Notes.

(b) 2017 Senior Notes

The Company issued senior notes of aggregate amount of USD235,000,000 on 20 September 2017 (the "2017 Senior Notes"), which are interest bearing at 8.5% per annum, due in September 2020 and listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2017, the 2017 Senior Notes were guaranteed by the Company's subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2017 Senior Notes.

The 2017 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2017, none of the covenants relating to the 2017 Senior Notes were breached.

20 LOANS AND BORROWINGS (CONTINUED)

(c) Corporate bonds

In 2015 and 2016, Guangxi Vantone issued corporate bonds of RMB7,960,000,000 in total, which comprise following bonds:

– 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.85% per annum and an effective interest rate at 8.09% per annum, issued on 16 September 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year;

– 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.95% per annum and an effective interest rate at 8.11% per annum, issued on 16 September 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

– 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 7.99% per annum and an effective interest rate at 8.36% per annum, issued on 12 October 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company);

– 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate at 6.9% per annum and an effective interest rate at 6.94% per annum, issued on 25 January 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);

– 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 8.4% per annum and an effective interest rate at 8.44% per annum, issued on 24 February 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);

– 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum, issued on 7 April 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

– 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum, issued on 12 July 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year; and

20 LOANS AND BORROWINGS (CONTINUED)

(c) Corporate bonds (Continued)

- 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate at 7.4% per annum and an effective interest rate at 7.53% per annum issued on 13 July 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year.

(d) Convertible bonds

On 11 August 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,332,300,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 December 2016 until and including the day falling ten days prior to 11 August 2021 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 112.15% of the principle amount. The Company has an early redemption option at any time after 11 August 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 11 August 2019 at early redemption amount of 106.67% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on The Stock Exchange of Hong Kong Limited.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds is measured at fair value and the liability component is carried at amortized cost. As at 31 December 2017, the carrying amounts of liability and derivative component of the convertible bonds were RMB956,393,000 (2016:RMB934,084,000) and RMB411,677,000 (2016:RMB527,894,000), respectively.

During the year ended 31 December 2017, the conversion price of the convertible bonds was adjusted to HKD3.66 per share as the result of issuance of shares.

During the year ended 31 December 2017, the convertible bonds with an aggregate principal amount of USD800,000 were converted into 1,681,625 ordinary shares of the Company.

20 LOANS AND BORROWINGS (CONTINUED)

(d) Convertible bonds (Continued)

	Derivative component *RMB'000*	Liabilities Component *RMB'000*	Total *RMB'000*
At 1 January 2016	–	–	–
Issuance	456,580	852,946	1,309,526
Fair value adjustment charged to profit or loss	43,858	–	43,858
Accrued interest	–	46,470	46,470
Foreign exchange loss	27,456	34,668	62,124
At 31 December 2016	527,894	934,084	1,461,978

	Derivative component ***RMB'000***	**Liabilities Component** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2017	**527,894**	**934,084**	**1,461,978**
Fair value adjustment credited into profit or loss	**(84,589)**	**–**	**(84,589)**
Accrued interest	**–**	**180,372**	**180,372**
Interest paid	**–**	**(87,594)**	**(87,594)**
Foreign exchange gain	**(31,628)**	**(65,174)**	**(96,802)**
Conversion of convertible bonds	**–**	**(5,295)**	**(5,295)**
At 31 December 2017	**411,677**	**956,393**	**1,368,070**

20 LOANS AND BORROWINGS (CONTINUED)

(e) The Group's long-term loans and borrowings comprise:

	2017 *RMB'000*	2016 *RMB'000*
Loans and borrowings at amortized cost:		
– Bank loans – secured	**3,346,497**	3,691,958
– Loans from other financial institutions – secured	**11,258,900**	9,455,136
– Loans from third parties – unsecured	**220,000**	220,000
– 2014 Senior Notes	**–**	1,469,315
– 2017 Senior Notes	**1,521,917**	–
– Corporate bonds	**7,917,524**	7,888,445
	24,264,838	22,724,854
Convertible bonds	**1,368,070**	1,461,978
	25,632,908	24,186,832
Less: Current portion of long-term loans and borrowings:		
– Bank loans	**1,458,899**	1,274,170
– Loans from other financial institutions	**4,518,347**	3,022,336
– Loans from third parties	**220,000**	220,000
– Corporate bonds	**1,493,857**	–
– 2014 Senior Notes	**–**	1,469,315
Sub-total	**7,691,103**	5,985,821
	17,941,805	18,201,011

20 LOANS AND BORROWINGS (CONTINUED)

(f) The Group's short-term loans and borrowings comprise:

	Note	**2017** **RMB'000**	2016 RMB'000
Loans and borrowings at amortized cost:			
Bank loans – secured		**143,000**	1,406,958
Bank loans – unsecured		**20,000**	–
Loans from other financial institutions			
– secured		**453,414**	400,000
Loans from related parties			
– unsecured	(i)	**20,817**	57,866
Loans from third parties			
– secured		**180,000**	245,803
– unsecured		**315,000**	455,000
Sub-total		**1,132,231**	2,565,627
Current portion of long-term loans and borrowings		**7,691,103**	5,985,821
		8,823,334	8,551,448

(i) The balance as at 31 December 2017 represented loans amounting to RMB20,817,000 (2016: RMB20,817,000) borrowed from an associate, Chongqing Yuneng Wanyi, bearing an interest rate at 10% per annum and was matured on 15 December 2014

The balance as at 31 December 2016 comprised a loan of RMB37,049,000, which was borrowed from Wenzhou Zhongxin Haoyuan Co., Ltd., bearing an interest rate at 12% per annum and repaid during the year ended 31 December 2017.

20 LOANS AND BORROWINGS (CONTINUED)

(g) **The Group's effective interest rates per annum on loans and borrowings at amortized cost are as follows:**

	2017 *RMB'000*	2016 *RMB'000*
Long-term		
Bank loans	**4.75%–11.25%**	4.25%–15.00%
Loans from other financial institutions	**6.5%–13.00%**	6.63%–14.60%
Loans from third parties	**13.00%**	6.15%–13.00%
Senior Notes	**8.50%–12.75%**	12.75%
Corporate bonds	**6.94%–8.44%**	6.94%–8.44%
Convertible bonds	**8.59%**	8.59%
Short-term		
Bank loans	**2.00%–8.68%**	2.00%–10.60%
Loans from other financial institutions	**8.00%–9.00%**	8.89%–12.50%
Loans from related parties	**10.00%–12.00%**	12.00%
Loans from third parties	**7.20%–13.50%**	7.20%–13.50%

(h) **The Group's loans and borrowings are repayable as follows:**

	2017 *RMB'000*	2016 *RMB'000*
Within 1 year or on demand	**8,823,334**	8,551,448
After 1 year but within 2 years	**6,083,927**	7,622,494
After 2 years but within 5 years	**9,787,714**	8,277,098
After 5 years	**2,070,164**	2,301,419
	17,941,805	18,201,011
	26,765,139	26,752,459

20 LOANS AND BORROWINGS (CONTINUED)

(i) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group at the end of the reporting period:

(i)

	Note	2017 RMB'000	2016 RMB'000
Property and equipment	10(b)	**493,096**	527,106
Investment properties	11(c)	**4,738,533**	4,166,893
Properties under development and completed properties held for sale	15(d)	**8,741,272**	8,583,698
Restricted deposits	18	**173,255**	1,511,293
		14,146,156	14,788,990

(ii) As at 31 December 2017, loans and borrowings amounted to RMB4,136,759,000 (2016:RMB4,516,783,000), were secured by a charge over the shares of the Company and certain subsidiaries of the Group.

(j) The Group has defaulted in the repayment of loans and borrowings as follows:

	2017 RMB'000	2016 RMB'000
Loan from Chongqing Yuneng Wanyi		
– Principal payables	**20,817**	20,817
– Interest payables	**11,063**	8,952
	31,880	29,769

The loan from Chongqing Yuneng Wanyi was not duly settled as the Group is in the process of negotiating certain transactions with the related party. It will be settled together with the mentioned transactions.

21 TRADE AND OTHER PAYABLES

	Note	2017 RMB'000	2016 RMB'000
Trade payables	(a)	**3,875,485**	4,822,274
Advances received from third parties	(b)	**490,162**	898,502
Consideration payables		**6,000**	114,226
Amounts due to related parties	(c)	**32,676**	147,614
Other payables	(d)	**992,408**	1,022,852
Financial liabilities measured at amortized cost		**5,396,731**	7,005,468
Receipts in advance		**146,252**	118,272
Other taxes payable		**73,198**	55,023
		5,616,181	7,178,763
Less: Non-current portion of trade payables		**316,914**	463,996
		5,299,267	6,714,767

(a) As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables) based on invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**3,558,571**	4,358,278
After 1 year but within 2 years	**153,557**	235,072
After 2 years but within 5 years	**163,357**	228,924
	3,875,485	4,822,274

(b) Advances received from third parties

The balances as at 31 December 2017 and 2016 mainly represented advances received from third parties. These advances are interest-free, unsecured and have no fixed terms of repayment.

21 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Amounts due to related parties

	Note	2017 RMB'000	2016 RMB'000
Amounts due to			
– Entities under control of Ms. Fan	(i)	**1,248**	29,300
– Associates	(ii)	**31,428**	118,314
		32,676	147,614

(i) The balance as at 31 December 2017 represented loans amounting to RMB Nil received from a related party (2016: RMB28,709,000), bearing an interest rate at 14% per annum, unsecured and had no fixed terms of repayment, and advances received from related parties amounting to RMB1,248,000 (2016: RMB591,000), which were interest-free, unsecured and had no fixed terms of repayment.

(ii) The balance as at 31 December 2017 mainly represented interest payables to associates amounting to RMB11,062,000 (2016: RMB98,819,000) and advances received from associates amounting to RMB17,090,000 (2016: RMB17,090,000), which were interest-free, unsecured and had no fixed terms of repayment.

(d) Other payables mainly represented interest payables, deposits received from constructors and salary payables.

22 SALES DEPOSITS

Sales deposits represented proceeds received on property unit sales that have not been recognized as revenue in accordance with the Group's revenue recognition policy.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company:

	Share capital	Share premium	Retained profits	Total
	Note 23(c)	*Note 23(d)(i)*		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances at 1 January 2016	18,718	2,821,330	3,356,037	6,196,085
Changes in equity for 2016:				
Total comprehensive income for the year	–	–	182,877	182,877
Dividend approved in respect of the previous year	–	–	(139,910)	(139,910)
Balance at 31 December 2016 and 1 January 2017	**18,718**	**2,821,330**	**3,399,004**	**6,239,052**
Changes in equity for 2017:				
Total comprehensive income for the year	**–**	**–**	**607,796**	**607,796**
Issuance of shares	**1,968**	**592,747**	**–**	**594,715**
Conversion of convertible bonds	**14**	**5,281**	**–**	**5,295**
Balance at 31 December 2017	**20,700**	**3,419,358**	**4,006,800**	**7,446,858**

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) The Company did not declare any dividends for the year ended 31 December 2017 and 2016.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 **RMB'000**	2016 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB Nil per share (2016: RMB5.89 cents per ordinary share)	**–**	139,910

(c) Share capital

	2017 **No of shares**	**HKD'000**	2016 *No of shares*	*HKD'000*
Authorised:				
Ordinary shares	**3,000,000,000**	**30,000**	3,000,000,000	30,000

	Note	**2017** **No of shares**	**RMB'000**	2016 *No of shares*	*RMB'000*
Ordinary shares, issued and fully paid:					
At 1 January		**2,375,000,000**	**18,718**	2,375,000,000	18,718
Issuance of shares	(i)	**235,055,000**	**1,968**	–	–
Conversion of convertible bonds		**1,681,625**	**14**	–	–
At 31 December		**2,611,736,625**	**20,700**	2,375,000,000	18,718

(i) Issuance of shares

During the year ended 31 December 2017, the Company issued 235,055,000 ordinary shares at HKD3.10 per share, and received a net proceed of HKD716,670,500 (equivalent to approximately RMB594,715,000).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(x).

(iii) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2017, the gearing ratio of the Group was 47.98% (2016: 50.39%).

24 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

25 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Investment commitments

Commitments in respect of equity investments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted for	**827,700**	–

(b) Capital commitments

As at 31 December 2017 and 2016, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2017	2016
	RMB'000	*RMB'000*
Contracted for	**4,302,681**	3,355,926
Approved but not contracted for	**5,973,329**	5,938,997
	10,276,010	9,294,923

(c) Operating lease commitments

As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**24,068**	22,848
After 1 year but within 5 years	**47,073**	46,918
After 5 years	**–**	2,089
	71,141	71,855

25 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(d) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB6,562,867,000 as at 31 December 2017 (2016: RMB5,774,209,000).

(e) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

(f) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

(g) Investment properties and properties held for sale

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

25 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(g) Investment properties and properties held for sale (Continued)

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**123,106**	95,563
After 1 year but within 5 years	**373,593**	279,387
After 5 years	**376,886**	333,430
	873,585	708,380

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. With respect to credit risk arising from trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

With respect to credit risk arising from advances to third parties and amounts due from related parties, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has further business with the Group and the Group does not expect to incur a significant loss for uncollected advances to these parties.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

The receivable from the Group's largest customer accounted for 7.83% of total trade and other receivables as at 31 December 2017 (2016: 10.28%).

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial positions after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in Note 25(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in Note 25(d).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17.

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting periods of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting periods) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017						
Loans and borrowings						
– Long-term	**9,872,878**	**7,520,284**	**11,408,939**	**2,164,454**	**30,966,555**	**25,632,908**
– Short-term	**1,229,415**	**-**	**-**	**-**	**1,229,415**	**1,132,231**
Contract retention payables	**232,874**	**88,217**	**46,098**	**19,898**	**387,087**	**387,087**
Financial liabilities measured at amortized cost	**5,079,817**	**153,557**	**163,357**	**-**	**5,396,731**	**5,396,731**
	16,414,984	**7,762,058**	**11,618,394**	**2,184,352**	**37,979,788**	**32,548,957**
At 31 December 2016						
Loans and borrowings						
– Long-term	7,887,413	8,873,698	9,862,869	2,580,347	29,204,327	24,186,832
– Short-term	2,637,213	–	–	–	2,637,213	2,565,627
Contract retention payables	253,256	155,893	49,061	30,314	488,524	488,524
Financial liabilities measured at amortized cost	6,541,472	235,072	228,924	–	7,005,468	7,005,468
	17,319,354	9,264,663	10,140,854	2,610,661	39,335,532	34,246,451

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 20(g). The annual interest rates of the Group's deposits at bank ranged from 0.1% to 2.75% as at 31 December 2017 (2016: 0.35% to 2.75%).

The interest rate profile of the Group's interest-bearing financial instruments was:

	2017 *RMB'000*	2016 *RMB'000*
Fixed rate instruments		
Loans and borrowings at amortized cost	**23,599,535**	22,315,678
Convertible bonds- liability component	**956,393**	934,084
	24,555,928	23,249,762
Variable rate instruments		
Loans and borrowings at amortized cost	**1,797,534**	2,974,803

As at 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB2,250,000 (2016: RMB8,917,568), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB14,975,000(2016: RMB17,857,930).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2016.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in trade and other receivables, cash and cash equivalents, restricted deposits and loans and borrowings in the consolidated statement of financial position as at 31 December 2017 and 2016, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

Exposure to foreign currencies

	2017		2016	
	USD	**HKD**	USD	HKD
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Trade and other receivables	**207,788**	**221,516**	680,173	223,623
Cash and cash equivalents	**1,763**	**595,053**	88,251	8,752
Restricted deposits	**–**	**–**	832,440	–
Loans and borrowings	**(2,889,987)**	**–**	(3,044,182)	–
Net exposure arising from recognised assets and liabilities	**(2,680,436)**	**816,569**	(1,443,318)	232,375

5% increase or decrease in USD and HKD exchange rate against RMB, assuming such change had occurred as at 31 December 2017, would decrease/increase the Group's profit after tax and retained profits by approximately RMB90,332,000 (2016: RMB60,547,000).

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

(i) Financial assets and liabilities measured at fair value

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorized into the three level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

	Fair value at 31 December 2017	**Fair value measurements as at 31 December 2017 categorised into**			Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	**Level 2**	**Level 3**		Level 1	Level 2	Level 3
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements								
Assets:								
Trading securities	**136,594**	**136,594**	**-**	**-**	–	–	–	–
Liabilities:								
Derivative component of convertible bonds *(Note 20(d))*	**411,677**	**-**	**-**	**411,677**	527,894	–	–	527,894

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

Information about Level 3 fair value measurements.

	Valuation techniques	**Significant unobservable inputs**	**Range**	**Weighted average**
Derivative component of convertible bonds	Binomial Tree model	Expected volatility	30.88%–31.88% (2016: 36.2%–37.2%)	31.38% (2016: 36.7%)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2017, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB3,031,321/RMB5,745,078 (2016: RMB2,959,813/RMB1,598,589).

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

	2017	2016
	RMB'000	*RMB'000*
Derivative component of convertible bonds		
At 1 January	**527,894**	–
Additions	**–**	456,580
Fair value adjustment (credited into)/charged to profit or loss	**(84,589)**	43,858
Foreign exchange (gain)/loss	**(31,628)**	27,456
At 31 December	**411,677**	527,894

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at 31 December 2017 and 2016.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2017 RMB'000	2016 *RMB'000*
Advances provided to/(received from)		
– Associates	**51,103**	(415,090)
Repayment of advances from		
– Associates	**–**	(398,000)
– Entities under control of Ms. Fan	**28,054**	1,316
Interest repaid to		
– An associate	**89,866**	–
Loan repaid to		
– An associate	**–**	247,559
Loan provided to		
– An associate	**1,500**	–
Rental charged by		
– An associate	**7,124**	5,132

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	2017 RMB'000	2016 *RMB'000*
Salaries, wages and other benefits	**15,236**	18,478
Contributions to defined contribution retirement plan	**276**	311
	15,512	18,789

Total remuneration is included in "Staff costs" (see Note 4(b)).

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) The Listing Rules relating to connected transactions

The related party transactions in respect of rental charged by an associate above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

28 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

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

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalized its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

28 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(n), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices and the costs of completion in case for properties under development.

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the provision would affect profit or loss in future periods.

(c) Recognition and allocation of construction cost on properties under development

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

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

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

28 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(l)(ii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Valuation of investment properties

As described in Note 11(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation which involves, inter alia, certain estimates including capitalization rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. In relying on the valuation report, the management has exercised their judgment and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective end of each reporting periods.

(f) Impairment for loans and receivables

The Group estimates impairment losses for loans and receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the loans and receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

28 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management have reviewed the investment property portfolios of the Group and concluded that investment properties held by the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the deferred taxation on investment properties of the Group, the management have determined that the "sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognized the deferred taxes on changes in fair value of investment properties at the applicable corporate income tax rates.

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries	12	**6,046,029**	5,308,978
Property and equipment		**328**	352
		6,046,357	5,309,330
Current assets			
Other receivables		**947,320**	929,934
Amounts due from subsidiaries		**2,697,458**	2,161,741
Cash and cash equivalents		**596,932**	929,517
Trading securities		**136,594**	–
		4,378,304	4,021,192
Current liabilities			
Loans and borrowings		**53,413**	1,574,619
Other payables		**34,403**	54,873
		87,816	1,629,492
Net current assets		**4,290,488**	2,391,700
Total assets less current liabilities		**10,336,845**	7,701,030
Non-current liabilities			
Loans and borrowings		**2,889,987**	1,461,978
NET ASSETS		**7,446,858**	6,239,052
CAPITAL AND RESERVES	23		
Share capital		**20,700**	18,718
Reserves		**7,426,158**	6,220,334
TOTAL EQUITY		**7,446,858**	6,239,052

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

YI Xiaodi
Director

FAN Xiaochong
Director

30 PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2017, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

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

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

	Effective for Accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IAS 40, *Investment property: Transfers of investment property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS9 and IFRS15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until standards are initially applied in that financial report.

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

IFRS 9, Financial instruments

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

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

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

(a) Classification and measurement

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

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

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

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

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

IFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the group has identified the following areas which are expected to be affected:

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

IFRS 15 Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition

Currently, revenue arising from operating leases and management and hotel operation income is recognised over time, whereas revenue from properties and land development for sale is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from operating leases, management and hotel operation income, sales of properties and land development for sale.

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

IFRS 15 Revenue from contracts with customers (Continued)

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

In assessing whether such advance payments schemes include a significant financing component, the group has considered the difference between the discounted price offered to those customers and the cash selling price, and the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under IAS 23, Borrowing costs. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the group's net profits during the construction period and gross profit from the sales of properties. The group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

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

IFRS 15 Revenue from contracts with customers (Continued)

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

(d) Contract assets

Following the adoption of IFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable are capitalised as contract assets.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by IFRS 15, the group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. Since the number of "open" contracts for sales of properties at 31 December 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

32 SUBSEQUENT EVENT

The Company issued senior notes of USD165,000,000 on 6 February 2018, which are interest bearing at 8.5% per annum, due in September 2020 and listed on the Singapore Exchange Securities Trading Limited.