



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code : 2868



Create
New Urban Life
創造都市新生活



Annual Report

2017



CONTENTS

2	CORPORATE INFORMATION
4	LISTING INFORMATION
5	FINANCIAL HIGHLIGHTS
6	PROPERTY PORTFOLIO
13	CORPORATE MILESTONES DURING THE YEAR
16	CHAIRMAN'S STATEMENT
20	MANAGEMENT DISCUSSION AND ANALYSIS
50	BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
57	DIRECTORS' REPORT
70	CORPORATE GOVERNANCE REPORT
84	REPORT OF THE SUPERVISORY COMMITTEE
85	AUDITOR'S REPORT
90	CONSOLIDATED AND COMPANY BALANCE SHEETS
92	CONSOLIDATED AND COMPANY INCOME STATEMENTS
94	CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
96	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
97	COMPANY STATEMENT OF CHANGE IN EQUITY
98	NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

DIRECTORS

Non-Executive Director

Mr. Li Songping (*Chairman*)

Executive Directors

Mr. Tang Jun (*President*)

Mr. Li Xiaobin

Non-Executive Directors

Mr. Su Zhaohui

Mr. Sun Shaolin

Mr. Su Jian

Independent Non-Executive Directors

Mr. Li Wang

Mr. Wong Yik Chung, John

Mr. Liu Xin

AUDIT COMMITTEE

Mr. Wong Yik Chung, John (*Chairman*)

Mr. Li Wang

Mr. Liu Xin

REMUNERATION COMMITTEE

Mr. Liu Xin (*Chairman*)

Mr. Sun Shaolin

Mr. Wong Yik Chung, John

NOMINATION COMMITTEE

Mr. Liu Xin (*Chairman*)

Mr. Li Songping

Mr. Wong Yik Chung, John

STRATEGIC COMMITTEE

Mr. Li Songping (*Chairman*)

Mr. Tang Jun

Mr. Liu Xin

SUPERVISORS

Mr. Li Zhang

Ms. Tang Yanan

Mr. Jiang Hebin

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Qin Yi

COMPANY SECRETARY

Mr. Lee Sze Wai

AUTHORISED REPRESENTATIVES

Mr. Tang Jun

Mr. Lee Sze Wai

REGISTERED OFFICE

Room 3071, 3/F Office, Block 4,
No. 13 Kaifang East Road,
Huairou District,
Beijing, the PRC

BEIJING HEADQUARTERS

F17, Red Goldage,
No. 2, Guang Ning Bo Street,
Beijing, PRC

HONG KONG OFFICE

Suites 2906-08, AIA Central,
1 Connaught Road Central, Hong Kong

WEBSITE

<http://www.bjcapitalland.com>

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

As to Hong Kong law:
Norton Rose Fulbright Hong Kong

As to PRC law:
JunZeJun Law Office

PRINCIPAL BANKERS

China Development Bank
China Construction Bank
Agricultural Bank of China
China Merchants Bank
Bank of Communications
Industrial and Commercial Bank of China
Bank of China
The Hong Kong and Shanghai Banking Corporation
China Citic Bank

LISTING INFORMATION

STOCK CODE FOR H SHARE

Hong Kong Stock Exchange	2868
Reuters	2868.HK
Bloomberg	2868HK

BOARD LOT SIZE

H Share	2,000
---------	-------

H SHARE REGISTRAR

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

Telephone: (852) 2862 8628
Fax: (852) 2529 6087

INVESTOR RELATIONS CONTACT

Email address: ir@bjcapitalland.com.cn

H SHARE INFORMATION

	Year 2017			Year 2016		
	Price High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)	Price High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)
First Quarter	4.02	2.91	350,454,748	3.55	2.60	227,283,700
Second Quarter	3.98	3.30	213,570,938	3.26	2.53	203,192,700
Third Quarter	4.97	3.62	277,156,635	3.62	2.81	263,264,300
Fourth Quarter	4.80	3.74	131,117,800	3.23	2.82	155,273,300

Closing share price as at 31 December 2013: HK\$2.64.

Closing share price as at 31 December 2014: HK\$2.94.

Closing share price as at 31 December 2015: HK\$3.48.

Closing share price as at 31 December 2016: HK\$2.91.

Closing share price as at 29 December 2017: HK\$4.06.

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY ^{NOTE 1}

(in RMB' 000 unless otherwise stated)

Year ended 31 December	2017	2016 (Restated)	2015 (Restated)	2014	2013
Revenue	21,292,040	20,349,404	16,000,519	10,165,843	11,320,840
Total profit	3,839,317	3,938,468	3,985,486	3,120,949	2,624,192
Income tax expenses	(1,042,520)	(1,074,474)	(1,022,018)	(726,694)	(710,469)
Net profit	2,796,797	2,863,994	2,963,468	2,394,255	1,913,723
Attributable to:					
Equity holders of the Company	2,112,580	2,017,558	2,056,050	1,820,267	1,522,006
Non-controlling interests	684,217	846,436	907,418	573,988	391,717
	2,796,797	2,863,994	2,963,468	2,394,255	1,913,723
As at 31 December	2017	2016 (Restated)	2015 (Restated)	2014	2013
Total assets	141,421,169	119,459,640	107,791,948	80,697,226	56,190,688
Total liabilities	109,489,636	91,908,938	82,134,092	57,916,333	39,962,204
Net assets	31,931,533	27,550,702	25,657,856	22,780,893	16,228,484

Note:

1. The table summarises the results, assets and liabilities of the Group.
2. The figures presented are prepared in accordance with Accounting Standards for Business Enterprises or CAS of PRC.
3. The Group completed the transactions of business combination involving enterprises under common control this year, and the financial information of the Group for the year ended 31 December 2016, the year ended 31 December 2015 was restated accordingly. The financial information of the Group for the year ended 31 December 2014 and the year ended 31 December 2013 was not restated. The published results and the statement of assets and liabilities may not comparable.

PROPERTY PORTFOLIO



29%	Beijing	6%	Shanghai	16%	Tianjin
8%	Chongqing	3%	Chengdu	1%	Shenzhen
6%	Xi'an	6%	Shenyang	2%	Qingdao
2%	Wanning	6%	Kunshan	1%	Jiangyin
1%	Wuhan	2%	Nanchang	2%	Huzhou
2%	Jinan	1%	Changsha	3%	Hangzhou
1%	Australia	1%	Hefei	1%	Zhengzhou
				1%	Kunming



PROPERTY PORTFOLIO

HOTEL PROPERTIES

Project	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)
1 Financial Street International Hotel	Xicheng District, Beijing	Hotel	34%	5,123	58,161	42,900

INVESTMENT PROPERTIES

Project	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)
2 Fangshan Capital Outlets	Fangshan District, Beijing	Commercial	72.39%	90,766	196,837	196,837
3 Huzhou Capital Outlets	Taihu Lake Resort, Huzhou, Zhejiang Province	Commercial	72.39%	214,317	97,542	97,542
4 Wanning Capital Outlets	Liji Town, Wanning District, Hainan Province	Commercial	55%	199,807	103,200	103,200
5 Kunshan Capital Outlets	The East New Town, Kunshan, Jiangsu Province	Commercial	72.39%	93,026	100,527	100,527
6 Nanchang Capital Outlets	Nanchang, Jiangxi Province	Commercial		86,987	158,080	158,080
Plot A			72.39%	56,833	129,700	129,700
Plot B			28.96%	30,153	28,380	28,380
7 Hangzhou Capital Outlets	Fuyang District, Hangzhou, Zhejiang Province	Commercial	72.39%	101,691	112,280	112,280
8 Wuhan Capital Outlets	East Lake High-tech Development Zone, Wuhan, Hubei Province	Commercial	71.67%	89,757	107,560	107,560
9 Changsha Capital Outlets	Xiangjiang New District, Changsha, Hunan Province	Commercial	21.72%	71,850	112,070	112,070
10 Xi'an Capital Outlets	Xi'an Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province	Commercial	72.39%	81,301	118,840	118,840
11 Zhengzhou Capital Outlets	Zhengzhou, Henan Province	Commercial	72.39%	80,790	96,583	96,583
12 Jinan Capital Outlets	Tangye New Town, Licheng District, Jinan, Shandong Province	Commercial	72.39%	114,929	121,520	121,520
13 Hefei Capital Outlets	Binhu New Area, Hefei, Anhui Province	Commercial	72.39%	87,913	96,494	96,494
14 Chongqing Capital Outlets	Lujiao New Town, Banan District, Chongqing	Commercial	72.39%	74,349	113,600	81,600
15 Kunming Capital Outlets	Wuhua District, Kunming, Yunnan Province	Commercial	61.53%	67,920	135,000	85,500
16 Lize Financial Business District Project	Fengtai District, Beijing	Office/Commercial	50%	18,859	150,079	125,569
17 Beijing Haidian Yongfeng Industrial Base Project Plot B2	Haidian District, Beijing	Office/Apartment	50%	59,750	106,130	64,859
18 Sunshine Building	Xicheng District, Beijing	Office/Commercial	35%	8,840	52,095	34,163
19 Capital Group Plaza	Dongcheng District, Beijing	Office/Commercial	100%	7,069	48,431	35,867

PROPERTY PORTFOLIO

DEVELOPMENT PROPERTY

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
20	Beijing Huijialou Project	Xanadu	Chaoyang District, Beijing	Residential/Commercial	100%	34,163	55,904	41,346
21	Beijing Haidian Yongfeng Industrial Base Project Plot F1	Capital of Western Village	Haidian District, Beijing	Residential/Apartment/Commercial/Office	100%	65,219	113,160	81,193
22	Beijing Haidian Yongfeng Industrial Base Project Plot B2		Haidian District, Beijing	Office/Commercial	50%	59,750	57,132	57,132
23	Beijing Haidian Taipingzhuang Project	Opus Beijing	Haidian District, Beijing	Residential/Apartment	25%	5,379	13,356	13,356
24	Lize Financial Business District Project		Fengtai District, Beijing	Office/Apartment		26,352	38,612	26,254
	LizeF02			100%	15,963	23,221	12,415	
	LizeF05	Tian Yue Mansion		100%	10,389	15,391	13,839	
25	Beijing Zhaoquanying F1-01 Project	Passion World	Shunyi District, Beijing	Apartment/Commercial	100%	27,121	4,937	4,937
26	Beijing Zhaoquanying Land No. 4 Project	Enjoyable Trees	Shunyi District, Beijing	Residential/Apartment	100%	104,345	107,901	63,471
27	Beijing Zhaoquanying Land No. 2 Project	Enjoyable Bay	Shunyi District, Beijing	Residential/Apartment/Commercial	100%	114,154	109,646	69,263
28	Beijing Shunyi No. 17 Project	Xanadu Mountain	Shunyi District, Beijing	Residential/Apartment	100%	85,056	68,542	41,519
29	Beijing Zhaoquanying F2-01 Project		Shunyi District, Beijing	Apartment/Commercial	100%	17,277	43,155	34,507
30	Beijing Shunyi Renhe Town Project	Golden Future	Shunyi District, Beijing	Residential/Commercial	14.55%	40,669	49,383	49,383
31	Beijing Shunyi New Town Block No. 26 Project	Capital Park #26	Shunyi District, Beijing	Residential/Commercial	12.50%	88,702	159,639	159,639
32	Beijing Miyun Yunfeng Shanzhuang Project	Beijing Landscape Villa	Miyun District, Beijing	Residential	100%	334,855	70,166	58,396
33	Beijing Miyun New Town Project	The Happiness	Miyun District, Beijing	Residential/Commercial	100%	56,254	240,584	175,695
34	Beijing Miyun New Town Block No. 0102 Project		Miyun District, Beijing	Residential/Commercial	24%	13,868	52,290	38,185
35	Beijing Miyun Tanying Town Project		Miyun District, Beijing	Residential/Commercial	100%	60,999	190,298	139,021
36	Beijing Pinggu Changchunyu Project		Pinggu District, Beijing	Residential/Commercial	25%	220,878	293,854	150,566
37	Beijing Changyang Land No.4 Project	Novotown	Fangshan District, Beijing	Residential/Commercial	100%	90,389	4,838	2,408
38	Beijing Fangshan Gaojiao Park Project	Nobles Mansion	Fangshan District, Beijing	Residential/Apartment/Commercial	100%	56,138	66,708	39,414
39	Beijing Huang Xin Zhuang Project	Ealing	Fangshan District, Beijing	Residential	95%	114,166	138,193	100,573
40	Beijing Fangshan Liangxiang Project		Fangshan District, Beijing	Residential/Commercial/Office	11.1%	53,579	139,123	101,380
41	Beijing Daxing Sun Village Project	Enjoyable City	Daxing District, Beijing	Residential/Apartment/Commercial	100%	61,512	34,277	30,365
42	Beijing Daxing Huang Village Project		Daxing District, Beijing	Apartment/Commercial	100%	84,213	211,329	168,338
43	Beijing Daxing Yinghai Land Project		Daxing District, Beijing	Residential/Commercial	30%	75,065	199,565	120,412
44	Beijing Daxing Yizhuang Land Project		Daxing District, Beijing	Residential/Commercial/Office	50%	76,286	272,202	177,129
45	Shanghai Songjiang Project	Time Flowing In Villa	Songjiang District, Shanghai	Residential/Commercial	100%	65,239	12,935	10,724

PROPERTY PORTFOLIO

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
46	Shanghai Yingpu Street Community Project	The Happiness	Qingpu District, Shanghai	Residential/Commercial	100%	129,484	234,897	188,980
47	Shanghai Qingpu Xujing Project		Qingpu District, Shanghai	Residential	100%	17,048	30,110	17,493
48	Shanghai Yangpu Pingliang Project	Capital of Vision	Yangpu District, Shanghai	Residential/Commercial/Office	100%	32,360	108,699	88,976
49	Shanghai Zhoupu Project		Pudong New Area, Shanghai	Residential	51%	69,433	172,459	120,795
50	Shanghai Xinchang Project		Pudong New Area, Shanghai	Residential	50%	56,887	87,174	65,338
51	Shanghai Jiading Project	The Great City	Jiading District, Shanghai	Residential/Commercial	60%	123,090	39,000	24,000
52	Tianjin Shuangang 121 Project	Fortune Class	Jinnan District, Tianjin	Residential/Apartment/Commercial/Office	55%	255,038	66,703	60,510
53	Tianjin Shuangang 122 Project	Tianjin – A-Z Town	Jinnan District, Tianjin	Residential	55%	183,511	867	–
54	Tianjin Huaming Project	Noble City	Dongli District, Tianjin	Residential/Apartment/Commercial	40%	271,830	70,799	70,799
55	Tianjin Xiqing Project	Landing House	Xiqing District, Tianjin	Residential/Office	40%	151,596	17,100	17,100
56	Tianjin Hongni River Project	Tianjin Capital City	Jinnan District, Tianjin	Residential/Commercial	100%	257,093	136,397	32,592
57	Tianjin Lishuang Road Project	Amicable Mountain	Jinnan District, Tianjin	Residential	100%	108,344	24,970	139
58	Tianjin MTR Project	Tian Yue River	Hebei District, Tianjin	Residential/Apartment/Commercial/Office	49%	66,888	260,365	249,065
59	Tianjin Beiyunhe Project	Grand Canal Milestone	Hebei District, Tianjin	Residential/Apartment/Commercial	100%	62,817	227,382	144,560
60	Tianjin Zhongshanlu Project	Metropolis	Hebei District, Tianjin	Residential/Commercial/Office	100%	22,455	99,171	72,171
61	Tianjin Xinzhuang No. 5 Project	Poetic Life	Jinnan District, Tianjin	Residential	100%	82,164	38,544	38,544
62	Tianjin Hongxianli Project	North Shore Center	Hongqiao District, Tianjin	Residential/Commercial/Office	25%	106,920	135,296	113,956
63	Tianjin Youzhichang Project		Hongqiao District, Tianjin	Residential/Commercial	100%	38,704	92,852	77,620
64	Tianjin Xiqing Zhongbei Town Project		Xiqing District, Tianjin	Residential	50%	41,175	90,835	76,691
65	Tianjin Wuqing Project	International Peninsula	Wuqing District, Tianjin	Residential/Commercial/Office		1,385,423	605,942	523,315
	Plot 08-02			100%	171,418	21,090	21,090	
	Plot 01-05			100%	193,496	15,983	15,983	
	Plot 03-02			100%	174,948	21,312	21,312	
	Plot 04-02			100%	187,396	50,041	50,041	
	Plot 07-02			100%	49,871	23,412	23,412	
	Plot 06-09			100%	401,601	39,703	39,703	
	Plot 07-08			100%	24,584	19,167	19,167	
	Jingzhu Square			100%	18,103	18,101	18,101	
	Plot 03-06/03-07			30%	164,005	204,776	170,909	
	Plot 01-01			50%	132,169	192,356	143,596	
66	Shenzhen Longhua Project		Longhua District, Shenzhen	Apartment/Commercial/Office	100%	9,519	67,596	43,596

PROPERTY PORTFOLIO

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
67	Hangzhou Yuhang Project	Yuhang District, Hangzhou, Zhejiang Province	Residential/Commercial	100%	85,897	176,659	125,903	
68	Chongqing Hongensi Project	Hong'en International Living District	Jiangbei District, Chongqing	Residential/Commercial	100%	229,314	85,374	2,952
69	Chongqing Xiyong Project	Chongqing Eco Village	Shapingba District, Chongqing	Residential/Apartment/Commercial	97.83%	146,394	128,894	30,296
70	Chongqing Jialingchang Project	Chongqing Capital City	Shapingba District, Chongqing	Residential/Commercial	30.40%	218,303	549,674	348,546
71	Chongqing Dapingquan Project		Yuzhong District, Chongqing	Residential/Apartment/Commercial	33.00%	14,447	69,413	52,810
72	Chengdu Jianshe Road Project	Chengdu A – Z Town	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	68,270	1,912	251
73	Chengdu Shengli Village Project	Chengdu First City	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	78,171	17,042	15,811
74	Chengdu Beiwan Road Project	Città Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial	55%	75,019	50,405	3,998
75	Chengdu SCE Project	Wanjuanshan	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial/Office	55%	106,786	62,120	1,913
76	Chengdu Qinglongchang Project	Chengdu Eco Village	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	87,312	114,155	46,011
77	Chengdu Huaxin Village Project	Galaxy No.1	Jinjiang District, Chengdu, Sichuan Province	Residential/Commercial	67.50%	95,663	97,573	40,039
78	Xi'an Feng-cheng Road Project	Xi'an First City	Xi'an Economic and Technology Development Zone, Shaanxi Province	Residential/Commercial/Office	72.39%	355,909	531,732	315,274
79	Shenyang Shenyang Road Project	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/Apartment/Commercial	30%	175,348	58,879	35,035
80	Shenyang Yinhe Wan Project	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/Commercial	50%	420,317	328,487	313,287
81	Shenyang Shenzhong Street Project	Shenyang Eco Village	Hunnan New District, Shenyang, Liaoning Province	Residential/Commercial	100%	194,249	341,887	283,204
82	Shenyang Hupowan Project	Legendary Bay Project	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/Commercial	100%	231,666	132,069	132,069
83	Qingdao Chengyang Project	Airport International Centre	Chengyang District, Qingdao, Shandong Province	Commercial/Office	100%	92,455	84,071	84,071
84	Qingdao Central Park No. 1 Project	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential/Apartment/Commercial	100%	81,016	13,340	13,340
85	Qingdao Yangbuzhai Project	Qingdao Central Park No.1 • East Park	Chengyang District, Qingdao, Shandong Province	Residential/Commercial	100%	38,805	751	751
86	Qingdao Qianqianshu Project	Sunny Xiangmi Lake	Licang District, Qingdao, Shandong Province	Residential/Commercial	100%	113,974	183	183
87	Yantai Sunny Chief Yard Project	Yantai Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential/Commercial	100%	195,609	43,079	46,729

PROPERTY PORTFOLIO

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
88	Zhenjiang National University Science Park Project	Joyous House	Zhenjiang Technological Development Zone, Jiangsu Province	Residential/Commercial	100%	111,364	11,804	10,922
89	Kunshan Jinxi Project	Kunshan Eastern Myste	Jinxi Town, Kunshan City, Jiangsu Province	Residential/Commercial/Hotel	51%	550,037	265,695	265,695
90	Wuxi Dongting Town Project	Wuxi Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential/Commercial	100%	162,911	21,316	15,970
91	Wuxi Jichang Road Project	Wuxi Joyous House	Wuxi New District, Jiangsu Province	Residential/Commercial	100%	96,598	17,162	1,456
92	Jiangsu Jiangyin Yuyue Project	Jiangyin Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/Commercial	100%	78,258	133,946	118,437
93	Huzhou Renhuangshan Project	Joyous House	Renhuangshan District, Huzhou, Zhejiang Province	Residential/Commercial	55%	53,865	2,531	-
94	Huzhou Taihu Project	Huzhou Integrated Outlets Project	Taihu National Tourism Vacation Zone, Huzhou, Zhejiang Province	Residential/Commercial	100%	145,153	112,658	105,693
95	Hainan Wanning Project	Hainan Integrated Outlets Project	Liji Town, Wanning, Hainan Province	Residential/Apartment/Commercial		440,415	142,061	142,061
	Plot 1			55%	94,355	1,320	1,320	
	Plot 2, 3			55%	157,546	1,254	1,254	
	Plot 5, 6			100%	188,514	139,487	139,487	
96	Kunshan Capital Outlets Project	Kunshan Integrated Outlets Project	The East New Town, Kunshan, Jiangsu Province	Residential/Apartment/Commercial	100%	354,912	289,442	289,442
97	Nanchang Capital Outlets	Nanchang Capital Outlets	Nanchang, Jiangxi Province	Commercial	28.96%	30,153	32,560	32,560
98	Jinan Capital Outlets	Jinan Capital Outlets	Tangye New Town, Licheng District, Jinan, Shandong Province	Commercial	72.39%	114,929	62,710	61,710
99	Chongqing Capital Outlets	Chongqing Capital Outlets	Lujiao New Town, Banan District, Chongqing	Commercial	72.39%	74,349	15,000	15,000
100	Project Merrylands		Sydney, Australia	Residential	50%	21,043	13,566	13,566
101	Project Arden		Brisbane, Australia	Residential	50%	16,409	7,724	7,724
102	Project Max		Sydney/Brisbane, Australia	Residential	50%	37,356	33,081	33,081
103	Project Auto Alley		Sydney, Australia	Residential	50%	14,287	54,647	54,647
Total						11,543,520	8,933,275	

CORPORATE MILESTONES DURING THE YEAR

JANUARY 2017

- In January, a wholly-owned offshore subsidiary of BCL successfully established a USD1 billion guaranteed medium term note (MTN) and perpetual securities programme and completed the initial drawdown of USD400 million of 3.875% senior notes from the programme. The notes have an investment grade credit rating of BBB from Fitch Ratings and the issuance was more than 6 times oversubscribed. The offer rate was a substantial 32.5bps lower than the initial price guidance.
- In January, BCL jointly acquired the Han Village Project in Jinhaihu Town, Pinggu District, Beijing. The project will feature great amenities and scenic views near the Jinhaihu tourism area. It will also have convenient access to the planned Pinggu Metro Line and a number of truck roads. The project has a planned above-ground GFA of 153,000 sq.m.

APRIL 2017

- In April, BCL won a bid for the Beishicao Shantytown Redevelopment Project in Shunyi District, Beijing. The project is located next to the Daqing-Guangzhou Expressway and the Beijing-Shenyang High Speed Railway. The project has a site area of 60.8 hectares, and its core region in the north has a GFA of 430,000 sq.m. This new shantytown redevelopment project is expected to boost the Company's primary land development business across the Beijing-Tianjin-Hebei area, and will effectively replenish its land resources in the Company's core cities.

MARCH 2017

- In March, BCL successfully acquired 49% equity interest in the Xiaowangzhuang Project in Hebei District, Tianjin, from MTR Corporation Limited via a share acquisition. The project is located above a metro station in the heart of Hebei District, where three rivers (Ziya, Beiyun and Xinkai) meet. It is also adjacent to both the Tianjin Railway Station and the Tianjin West Railway Station, and in close proximity to multiple subway lines and expressways. The region features well-established living, educational, healthcare and commercial ancillary facilities. The project has a planned aboveground GFA of 253,000 sq.m.
- In March, BCL successfully acquired the Tanyingxiang Project in Miyun District, Beijing. The project is located in the core area of Miyun District and adjacent to the Beijing-Chengde Expressway, Beijing-Shenyang High Speed Railway and the Miyun Bus Terminal. There are also several educational and healthcare facilities and scenic spots nearby. The project has a planned aboveground GFA of 145,000 sq.m.

MAY 2017

- In May, BCL announced that it will develop four projects together with two leading developers in Australia, namely Dyldam Group and Arden Group. The Project is comprised of three subprojects in Sydney and one in Brisbane, all of which are located in key areas that are being master planned by the government. They are all adjacent to train stations and a number of highways, and feature an extensive transportation network and well-established living facilities. The Project has an aggregate GFA of 104,000 sq.m., and it is expected to increase BCL's brand awareness in Australia.

JUNE 2017

- In June, the Company successfully entered the Shenzhen market for the first time when it acquired the Longhua project in Shenzhen. The project is located in the center of the Longhua district and is adjacent to the Qinghu station of Metro Line No.4, as well as a number of major roads in the city. With a planned above-ground GFA of 44,000 sq.m., the project is equipped with well-established ancillary facilities, including a large-scale integrated commercial complex, cultural plaza, and city park. This acquisition further expands the Company's strategic roll-out to the core cities in the Pearl River Delta and is a key step in the Company's exploration of new markets and new business opportunities.

AUGUST 2017

- In August, the Company successfully hosted a press conference that included a VIP Appraisal Event to introduce the Company's all new "Xi Rui" brand as a part of its "Xi Rui Li" project. At the event, the Company introduced the story of its brand origin and values, and launched a targeted marketing campaign for key regions. This new high-end brand follows the Company's successful roll out of its "Tian Yue" brand.
- In August, the Company successfully acquired the Yizhuang Economic Development Zone Project in Beijing. Located in the heart of the development zone, the project is supported by well-established industrial businesses and ancillary education, healthcare, supermarket, and other resources in the surrounding area. It also features a convenient transportation network as it is adjacent to the Yizhuang Metro Line and Line No. 17, as well as the Beijing-Shanghai Expressway and the Beijing-Tianjin Expressway. The project has a planned above-ground GFA of 182,000 sq.m.

JULY 2017

- In July, the Company successfully acquired the Yinghai Project in Daxing District, Beijing. The project is situated in the center of Daxing District and between the Yizhuang Economic Development Zone and the Beijing Daxing International Airport. The region currently enjoys strong industrial and business growth. It is adjacent to the Yinghai Station on Metro Line No. 8, and next to a few well-established communities. The region also features scenic views as it is close to Nanhaizi Park, one of the four largest country parks in Beijing. The project has a planned above-ground GFA of 134,000 sq.m.

SEPTEMBER 2017

- In September, the Company acquired the Xiqing Project in Tianjin via equity acquisition. Located in the Tianjin Nanyun River Economic Belt, the project targets mid-to-high-end upgrade demand and features many nearby ancillary amenities, including commercial, educational and healthcare facilities, as well as eco attractions. It is also easily accessible with convenient transportation as it is adjacent to a few major highways, such as the Tianjin Outer Ring Road and Zhongbei Avenue, as well as the Caozhuang station of Metro Line No. 2. The project has a planned above-ground GFA of 78,000 sq.m.

NOVEMBER 2017

- In November, the Company signed a strategic cooperation agreement with First Capital Securities. The two parties intend to cooperate in industrial investment and financing, asset securitization, investment banking, mergers and acquisitions, fund cooperation and asset management, all of which will complement each other's advantages and lead to mutual benefits. It is estimated that the scale of cooperation will reach over RMB10 billion. This strategic cooperation marks a new milestone in the relations between the two parties and also demonstrates the shared trust and cooperation in the context of a common shareholder, and it will be conducive to the long-term mutual development and win-win situation for both parties.
- In November, the Company celebrated the grand opening of the Hangzhou Capital Outlets. Situated on the bank of the Fuchun river, the new Capital Outlets project features picturesque riverside scenery and covers a total construction area of 110,000 sq.m. The opening day was highlighted by customer traffic of over 90,000 and record-breaking opening-day sales of RMB13 million. The successful opening in Hangzhou further demonstrates the upgrade in the commercial value of BCL's outlets business line, and its competitive edge brought by the strategy of constructing chain developments across major cities in China.
- In November, the Company acquired the Yuzhong project in Chongqing via share acquisition. Located in the Yuzhong District, a sub-center of Chongqing, the project aims to provide mid-to-high-end products to meet upgrade demand. Adjacent to the commercial area of Daping, the project features well-established amenities, including educational, healthcare, commercial and entertainment. It is also well-connected to transportation, with access to the No. 1, 2 and 3 light rail lines. The project has a total planned construction area of 77,000 sq.m.

DECEMBER 2017

- In December, the Company celebrated the grand opening of the Nanchang Capital Outlets. Situated at the intersection of Xinjian District, the Economic Development Zone and the Honggutan New District in Nanchang, the project covers a total construction area of approximately 130,000 sq.m., offers visitors a variety of shopping, leisure, sport, entertainment, reading and theme restaurant options. The project recorded customer traffic of nearly 180,000 and sales of RMB21.8 million in its first three days of operation, and marks a milestone as BCL's first foray into central China with its outlets business line.

CHAIRMAN'S STATEMENT



● Li Songping | *Chairman*

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Beijing Capital Land Ltd. ("BCL" or the "Company"; together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2017.

In 2017, the global economy largely recovered and economic growth picked up significantly. Economic growth in developed countries further rebounded, but growth rates diverged. The U.S. showed strong economic growth momentum, mainly driven by consumption and investment expansion. The Federal Reserve raised interest rates three times during the year and officially started the process of shrinking its balance sheet. Growth across the euro zone was mostly steady, and the European Central Bank (ECB) maintained its ultra-loose monetary policy that appears to have significantly reduced political uncertainty across the region. In contrast, emerging economies have been the main drivers of global economic growth. During the year, China's economy was stable with solid growth momentum. In adherence with the general guideline of making progress while maintaining stability, efforts have been made to adopt a new vision for development, with a focus on supply-side structural reform, innovation, and improving macroeconomic regulation and control so as to constantly improve the quality and efficiency of economic growth. China's GDP growth for the full year of 2017 picked up to 6.9 percent, the first annual acceleration since 2010.

CHAIRMAN'S STATEMENT

In the property market, transaction volumes in China witnessed steady growth in 2017, though signs of divergence among cities became evident. As China's property sector followed the overarching theme of "housing is for people to live in, not for speculation," regulatory policies have sought to shift focus to the search for new sources of land supply, rather than dampen housing demand. The enforcement of city-specific measures and category-based regulation has taken effect. Property prices in first-tier cities and popular second-tier cities leveled off under the tightening policies, with growth in transaction area continuously reducing. The property market in third- and fourth-tier cities recovered fully due to supportive policies and increasing shantytown resettlement subsidies, fueling a rise in sales across the country. During the year, the supply of various types of land, especially residential land, began to turn around and increase across the country after years of shrinking land supply, bolstering the first increase in land transaction volumes in four consecutive years and effectively relieving pressure on land supply.

During the year, the Group continued to strive to achieve "quality growth" as its core vision in response to the changing industry policies and market dynamics. The Group managed to strengthen its key project marketing in core cities, and accelerate the clearance of inventory in non-core cities. The Group was able to successfully increase both transaction volumes and transaction prices. The Group recorded total contracted sales of RMB55.85 billion, an increase of 22.7% year-over-year. The average selling price was RMB23,000 per square meter, an increase of 15.8% year-over-year. Total contracted sales in Beijing, Tianjin and Shanghai increased to RMB37.44 billion, accounting for 67% of the total and contracted sales in Beijing increased 30.9% year-over-year to RMB22.58 billion. The strong overall performance demonstrates the effectiveness of the Group's strategy.

In 2017, the Group unveiled its new five-year strategic plan. The Group refined its land investment strategy to concentrate on three key metropolitan areas (Beijing-Tianjin-Hebei, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area), and at the same time, steadily pushed forward with its overseas expansion. The Group made approximately RMB36.76 billion of land investments with an aggregate GFA of approximately 3,187,000 sq.m., which accounts for over RMB70 billion in potential sales value. During the year, as a part of BCL's strategy to expand its operations to three major metropolitan areas, the Group entered the Shenzhen and Hangzhou markets for the first time by acquiring the Longhua plot in Shenzhen and the Yuhang plot in Hangzhou. During the year, the Company also acquired 5 new projects in Australia and achieved contracted sales of RMB7.23 billion, marking BCL's steady progress in overseas development.

During the year, the Company deployed a strategy of developing primary land and redeveloping shantytowns in the Beijing-Tianjin-Hebei region. In particular, the Group acquired the Beishicao shantytown redevelopment project in Shunyi District, Beijing, and proactively pushed forward a number of potential primary land projects. In total, the Group had 6 primary land projects under development with a total site area of 4,570,000 sq.m.. The Company continued to reinforce development in its core strategic area of the Beijing-Tianjin-Hebei region, strengthen its access to resources, and create a platform that targets the eventual acquisition of RMB100 billion in land resources. During the year, the Company actively participated in the development and construction of the Jinhai Lake World Leisure Convention and Exhibition Center in Pinggu District, Beijing. Significant progress was also made in the "Fondation de Chine" project in France. In addition, the Company established a development platform that will bring together top quality resources in an effort to foster and develop business in the cultural and creative industries.

CHAIRMAN'S STATEMENT

In 2017, the Group spared no effort in promoting its “Capital Made 2020” product strategy as a part of its goal of achieving “quality growth”. During the year, the Company focused on the standardization of key product lines and the application of Big Data to enhance its residential project quality. The Company accelerated the upgrade of its high-end “Tian Yue” and “Xi Rui” product lines and the duplication of key projects in core cities. A total of 6 “Tian Yue” and “Xi Rui” projects were launched during the year as the Company worked to upgrade its brand. During the year, the Company launched a Big Data platform and patent laboratory system to ensure that potential projects are positioned and targeted as effectively as possible. The Group also launched a sales management system for its in-house sales team in an effort to quickly consolidate customer resources and improve cost-effectiveness. Contracted sales recorded by BCL’s in-house sales team accounted for more than 52% of total self-developed project sales. In addition, a new customer service system, “Rui Service,” was developed by the BCL-Vanke joint venture, Shouwan Property Management Service Company, to boost the quality of customer service and the Group’s overall property management capabilities. The satisfaction rate of properties increased 40% from 2016. Lastly, the Company participated in the equity investment of UrWork. As part of the agreement, UrWork will provide brand and management support to enhance the value of BCL’s existing projects.

In 2017, the Group’s outlets projects continued to grow. Beijing Capital Grand Limited (“Capital Grand”) acquired the Kunming outlets project and the Zhengzhou outlets project A2 land plot. With these two newly-acquired projects, the Group has now deployed outlet projects in 14 cities and remains No.1 nationwide in terms of the number of outlets deployed. The Company intends to acquire several more potential projects. These developments paved the way for the Company to realize its strategic goal of developing outlet projects in “Twenty Cities in Five Years.” At the same time, the Group opened its Hangzhou and Nanchang outlets projects during the year, and the Group’s six newly opened outlets generated turnover of RMB3.24 billion in 2017, an increase of approximately 35% year-over-year.

In 2017, the Group established a diversified and innovative financing strategy while continuously optimizing its debt structure and lowering financing costs. During the year, the Group captured favorable market conditions to tap the offshore USD bond market and successfully issued two tranches of offshore senior notes with an aggregate principal amount of USD500 million, one with a coupon rate of 3.875% and the other at 3.7%. The Group also made steady progress in its A-Share IPO plan. It submitted a written response to feedback provided by the first-round review from the China Securities Regulatory Commission (“CSRC”) and updated two rounds of application materials. The Group’s application moved up 193 positions on the IPO waiting list for the main board of the Shanghai Stock Exchange. In the meantime, the Group made several breakthroughs nearly to RMB5 billion in terms of financing, issuing products such as CMBS (Commercial Mortgage Backed Securities), a debt financing plan on the Beijing Financial Assets Exchange (CFAE), and final payments backed securities. During the year, the Group proactively explored the potential of setting up a financing platform that integrates property development and capital management to drive forward the Group’s development.

CHAIRMAN'S STATEMENT

Looking ahead to 2018, the first year of the Group's new five-year strategic plan, the Group will seize opportunities arising from industry developments and push forward its new five-year plan. With "achieving quality growth" as its core vision, the Group will upgrade its investment area from individual core cities to three metropolitan areas (Beijing-Tianjin-Hebei, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area) and steadily push forward overseas developments. Taking advantage of the country's Beijing-Tianjin-Hebei integration plan, BCL will aggressively acquire primary land development and shantytown redevelopment projects, which would also allow the Group to reinforce its ability to acquire land resources for secondary development. For the outlets business, by adopting an asset-heavy business model and an asset-light business model in parallel, BCL aims to rapidly deploy its outlets projects nationwide and build up the largest outlet project operating platform in China. The Group also aims to build a real estate asset management platform to enhance its overall project operations with a focus on office buildings and apartment projects in Beijing, Shanghai and Shenzhen. The Group will also leverage strategic opportunities brought by the wave of the capital city upgrade, and facilitate the continued development of Beijing by innovating and incubating cultural and creative industrial property businesses. The Group will also further push forward its "Capital Made 2020" product strategy to enhance the competitiveness of its residential projects. The Company will continue to make breakthroughs in financing channels and push through its A-share IPO. The Group strives to consolidate its property business and capital management in order to innovatively come up with new funding models in the property sector, which will support the growth of the Group's overall business scale.

On behalf of the Board, I would like to sincerely express our gratitude to all of our shareholders, partners, and customers for your long-term care, support, and help. BCL will remain committed to transformation and innovation, continue to enhance its competitive advantages, and strive to become China's most valuable integrated property developer.

Li Songping

Chairman

Hong Kong, 26 February 2018

MANAGEMENT DISCUSSION AND ANALYSIS



● Tang Jun | *President*

BUSINESS REVIEW

In 2017, the Group's revenue totaled RMB21,292,040,000, representing an increase of approximately 5% compared with the previous year. Operating profit increased approximately 1% year-over-year to RMB3,835,350,000. Net profit attributable to interests of the Company totaled RMB2,112,580,000, representing an increase of approximately 5% compared with the previous year. Basic earnings per share (EPS) totaled RMB0.67, compared with RMB0.67 in 2016. The Board resolved to recommend the payment of a final dividend for the year ended 31 December 2017 of RMB0.21 per share (2016: RMB0.20 per share).

During the year, the Group continued to adhere to its mission of achieving "quality growth", and proactively responded to policy and market changes. These efforts enabled the Group to raise its operating performance and realize significant breakthroughs in many areas.

Record high contracted sales; Investment focused on three core metropolitan areas

- ✓ During the year, the Group accelerated its de-stocking of projects in non-core cities while ramping up deployment of key products in core cities. The Group also continued to build up its in-house sales team and established a resource-sharing mechanism that centers on marketing, which helped contracted sales reach a record high of RMB55.85 billion, an increase of 22.7% year-over-year. Contracted sales from the Group's six core cities and Australia accounted for 90% of total sales. The average selling price rose 15.8% year-over-year to over RMB23,000/sq.m. as transaction volumes and prices both increased.
- ✓ During the year, the Group focused its investments on three metropolitan areas (Beijing-Tianjin-Hebei, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area), obtained high quality projects through mergers and acquisitions, and entered the Shenzhen and Hangzhou markets, extending its footprint in key cities. In the meantime, in terms of primary land development, the Group effectively acquired a number of projects in the Beijing-Tianjin-Hebei region and secured multiple potential projects. In terms of secondary development, the Group acquired 19 new projects with a total GFA of 3.2 million sq.m. for an aggregate RMB36.76 billion. The Group successfully acquired the Beishicao Shanty Town Redevelopment Project, which covers a total site area of 608,000 hectares in Shunyi District, Beijing.

Upgraded product and service quality and actively explored business in the cultural and creative industries

- ✓ During the year, the Group adhered to its "Capital Made 2020" product strategy, and accelerated the upgrade of its high-end "Tian Yue" and "Xi Rui" product lines. Leveraging Big Data applications and a patent laboratory system, the Group refined its product positioning and product research and development capabilities to ensure that new projects are effectively targeted and positioned. The Group also aggressively implemented a "4P" strategic procurement system, which covers more than 77% of the Group's projects and helped to reduce costs and increase efficiency. The Group also launched a new customer service strategy to optimize its customer service and property management capabilities and to enhance customer satisfaction.
- ✓ During the year, in response to China's strategic desire to build Beijing into a national cultural center, the Group actively stepped up its efforts to explore business in the cultural and creative industries. BCL founded a cultural & creative and industrial business department where both the Company's internal and external resources are integrated, which helped the Group secure multiple projects in this industry.

Scale of outlets business topped the industry; Two more outlets launched, boosting business performance

- ✓ During the year, Beijing Capital Grand, the commercial property arm of the Group, steadily implemented its strategic goal of deploying outlet projects in “Twenty Cities in Five Years”, and continued to expand the Group’s presence by acquiring the Kunming outlets project, and the A2 land plot of the Zhengzhou outlets project. The Group has now deployed outlet projects in 14 cities and remains No.1 nationwide in terms of the number of outlets deployed.
- ✓ During the year, the grand opening of the Group’s Hangzhou Capital Outlets project and the Nanchang Capital Outlets project were well regarded in the market. The Group now has six outlet projects in operation. On the opening day of the Hangzhou Capital Outlets, customer traffic hit 90,000, and sales were nearly RMB13 million. The Nanchang Capital Outlets hit customer traffic nearly 180,000 and achieved sales around RMB21.8 million on the opening 3 days. During the year, the Group actively enhanced its operational efficiency and brand impact by effectively expanding online sales and cooperation with strategic investors in commercial resources, operational management and capital management. The Group’s six outlets have generated annual turnover of RMB3.24 billion, an increase of 35% year-over-year. Customer traffic exceeded 25.4 million, an increase of 34% year-over-year. In particular, according to the industry ranking published by “Outlets Prime”, both the Beijing Fangshan outlets and the Wanning outlets entered the Top 20 Outlet Operator list in China, ranking No.3 and No.16 respectively.

Diversified and innovative financing strategy, optimize debt structure

- ✓ During the year, the Group proactively implemented a diversified and integrated financing strategy in light of tightened financial policies. The Group worked to lower its gearing ratio by controlling total debt levels and managing costs. During the year, the Group took advantage of favorable market conditions to successfully issue two tranches of offshore senior notes for an aggregate principle amount of USD500 million, one with a coupon rate of 3.875% and the other at 3.7%, which was a record low interest rate for the Company’s offshore bonds. In the meantime, the Group issued a variety of innovative financing solutions, including: the Group’s first commercial mortgage-backed securities (CMBS), with a principle amount of RMB1.1 billion at a coupon rate of 4.83%; a debt financing plan on the Beijing Financial Assets Exchange (CFAE) with a principal amount of up to RMB2 billion; final payment backed securities with a principal amount of up to RMB1.2 billion.

PROPERTY DEVELOPMENT

In 2017, The Group, together with its joint ventures and associated companies, completed construction of projects with a total GFA of approximately 1.91 million sq.m.

Project	Approximate Completed GFA (sq.m.)	Type	Attributable Interest
Beijing Lize F02	196,085	Office/Commercial	50%
Beijing Lize F03	221,102	Office/Commercial	50%
Beijing Landscape Villa	17,609	Residential	100%
Beijing Central Park	34,083	Residential	100%
Beijing Xanadu Villa – Hezhu/River Story	118,380	Residential	100%
Beijing Xanadu Villa	162,326	Residential	100%
Beijing Xanadu Mountain	31,461	Residential	100%
Beijing Ealing	73,833	Residential	95%
Beijing Nobles Mansion	211,596	Residential	100%
Shanghai The Happiness	86,474	Residential	100%
Tianjin Fortune Class	12,076	Residential	55%
Chengdu Flora City	149,464	Residential	100%
Chongqing Eco Village	101,798	Residential	96.39%
Xi'an First City	102,765	Office/Commercial	72.39%
Shenyang Yinhe Wan Project	40,383	Residential	50%
Kunshan Capital Outlets-Residential	108,219	Residential	100%
Nanchang Capital Outlets	129,698	Commercial	72.39%
Hangzhou Capital Outlets	112,277	Commercial	72.39%
Total	1,909,629		

MAIN PROJECT EXHIBITION

BEIJING

Capital of Western Village, Beijing



The project is located in the center of the Yongfeng Industrial Base, north of Zhongguancun, Haidian District, Beijing. It is an advanced, cutting-edge masterpiece that overlooks 80,000 sq.m. of landscaped gardens and parks nearby. There are also 50,000 sq.m. of landscaped gardens, 270° panoramic views, and nearly 100 metres of separation between buildings. The community includes a famous international bilingual kindergarten that provides high quality international education. The project is also equipped with 2,000 sq.m. of clubs and ancillary facilities, including fitness, health care, leisure and restaurants.

Planned project total GFA: approximately 291,000 sq.m.

Capital Center, Beijing



The project is located at the center of Beijing's Lize Financial Zone, between the West 2nd Ring Road and West 3rd Ring Road. It is adjacent to Beijing West and Beijing South Railway Stations and metro lines No.14 and No.16. It is also the starting point of the Beijing-Kaifeng Expressway and the Beijing-Hong Kong-Macau Expressway. The project is positioned as a "Financial Satellite City, The Best in Lize" to provide modern enterprises with an efficient and comfortable office environment while accommodating a series of lifestyle services, including shopping, entertainment and casual activities. The project serves as the central landmark complex in the Lize Financial District

Planned project total GFA: approximately 520,000 sq.m.

Beijing • Xanadu Villa

The project is located in the north center of the Shunyi Central Villa District in Beijing. It is adjacent to the exit of the Beijing-Chengde Expressway, and a 25-minute drive from the North 3rd Ring Road. The project is surrounded by renowned elite educational institutions that provide a well-coordinated 15-year education system, including famous kindergartens and Niulanshan First Secondary School. The project also has 80,000 sq.m. of top commercial facilities to help create a perfect villa experience. When complete, it will be a low-density garden villa district consisting of thousands of villas.

Project total GFA: approximately 96,000 sq.m.



Beijing • Xanadu

Located 50 meters north of the CCTV tower, Xanadu is close to the Mandarin Hotel and Media Park. It is one of the Company's landmark luxury residential projects in the CBD, and follows in the footsteps of the Company's highly successful Beijing Yintai Centre and Golden Terrace projects.

Project total GFA: approximately 130,000 sq.m.



SHANGHAI

Shanghai • Capital Of Vision



The Project is located near the Bund in eastern Yangpu district, only 2.6 kilometers away from Lujiazui. It is positioned as a high-end project for first-time owner-occupier buyers and those looking to upgrade their living situation, and also includes a Grade A office building. The project enjoys a premier location in the Inner Ring, near metro lines No.4 and No.12, and the Daliang Road Tunnel. It also has easy access to a comprehensive set of supporting facilities, including medical, education and business. This project will generate value for the surrounding areas, and become a highlight of the Yangpu CBD and along the riverside.

Planned project total GFA: approximately 119,000 sq.m.

Shanghai • The Happiness



BCL's new masterpiece project in Shanghai is located at the center of Qingpu New City, and is characterized by smaller buildings with neoclassical-style architecture. With its unique south-north design, the project will provide a broad view of the surrounding area. South-facing apartments will have distinctive terraces as well as three-bay layouts, providing residents in Qingpu with an unparalleled living experience.

Planned project total GFA: approximately 100,000 sq.m.

Shanghai • Time Flowing In Villa

Time Flowing In Villa is located at the center of Songjiang District. The project is known for its meticulous layout. The modular design guarantees a high unit efficiency rate with comfortable housing conditions. The ultra-spacious apartments have a width of 13.6-meters and exemplify the concept of "life +". The project is surrounded by many convenient supporting facilities, including schools, city business centers, hospitals and entertainment facilities.

Planned project total GFA: approximately 140,000 sq.m.



TIANJIN

Tianjin • Tian Yue Hai He

The project is located above a metro-station in the heart of Hebei District, where three rivers (Ziya, Beiyun and Xinkai) meet. It is also adjacent to both the Tianjin Railway Station and the Tianjin West Railway Station, and has multiple subway lines and expressways nearby. The region features well-established living, education, healthcare and commercial ancillary facilities

Planned Project total GFA: approximately 416,000 sq.m.



Tianjin • Poetic Life



The project is located on the extension of Dagu South Road in Jinnan District, Tianjin. The project has great upside potential because of its prime location next to the Tianjin-Tanggu Expressway as well as the Outer Ring Road that connects directly with the city's central areas. It is also located next to the planned extension of metro lines No.1, No. 6 and Z1. The project provides residents with an incomparable leisure lifestyle in a unique low-density, high-end residential community.

Planned Project total GFA: approximately 187,000 sq.m.

Tianjin • Metropolis



The integrated project is located in the core inner ring area of Tianjin city and is positioned as an urban core complex that sits above a metro station. It is right next to the Zhongshan Road Station on metro line No.3 and will be a transfer station for metro line No. 7 in the future. With convenient access to the transportation network, the project is surrounded by a number of schools, a hospital, parks and other supporting facilities.

Planned Project total GFA: approximately 180,000 sq.m.

Tianjin • Grand Canal Milestone

Located in the inner ring core area of Tianjin city, the project demonstrates BCL's strategic focus on core cities and core areas. The land plot is adjacent to Tianjin West Railway Station and the Beiyunhe canal. The project is located above metro line No. 6, and is an extraordinary location with high integrated value.

Project total GFA: approximately 332,000 sq.m.



Tianjin • Capital City

The project is adjacent to the Tianjin-Tanggu Expressway, next to Lishuang Road, and south of the Airport South extension line. This residential community project benefits from the great educational resources of Tianjin Haihe Education Park and the exciting vibe of the industrial and technological zone nearby. This project will become a comfortable development in a high-quality neighborhood with excellent views of the beautiful Hongni River.

Project total GFA: approximately 480,000 sq.m.



Tianjin • International Peninsula



The International Peninsula is one of BCL's most important strategic projects. A substantial amount of effort has been put into constructing this metropolitan residential community. Preliminary ideas were developed with the help of the world-class construction company, Atkins Ltd. The project will be a low density property project that contains private houses with gardens, small scale high-rise apartments, and space for schools, business, parks, medical and other public facilities.

Project total GFA: approximately 2 million sq.m.

CHENGDU AND CHONGQING

Chongqing • Capital City



Located in the core urban area in Shapingba District, Chongqing, the project is designed to be a large-scale integrated development that combines residential and commercial property. It is a 10-minute walk from top business areas, such as Shapingba Business District, Ranjiaba Business District, Jiuchongjin Commercial Street and New Century Supermarket.

Planned Project total GFA: approximately 850,000 sq.m.

Chongqing • Eco Village

This is the Company's first "Eco Village" project. It is located in the Xiyong core business area, one of the six parks of the Chongqing urban zone and one of the five biggest new business districts. The Eco Village is surrounded by the Xiyong Microelectronic Industrial Park, a tax free port and universities, all of which have been strategically developed by the country. It is a prominent location with convenient transportation. The Company has integrated loft style and SOHO apartments, high rises and commercial streets in the area in order to build a one-stop international life style for young people in this new area.

Project total GFA: approximately 490,000 sq.m.



Chengdu • Eco Village

Chengdu Eco Village is located in the Chenghua District of Chengdu and sits in the central area of the renovation project of North Chengdu, which will be next to a park at the north end of the urban zone. The project incorporates residential properties, commercial properties and a kindergarten in a 131-mu leisure space. The design of the project is inspired by a Southeast Asian leisure style and it is the first interactive development in Chengdu that will be a haven for young and creative people.

Planned Project total GFA: approximately 379,000 sq.m.



Chengdu • Wanjuanshan



Chengdu Wanjuanshan is located on the extension line of Dongdajie in the Chengdong Financial Centre of Chengdu. It is adjacent to Yidu Road, Chenglong Road and the extension of metro line No. 2, which opened for passengers in 2013. The project has a view of the Chenglong Campus of Sichuan Normal University, which is directly south of the development. It is also surrounded by unique natural resources, including the Sansheng Flower Garden and Swan Lake.

Project total GFA: approximately 540,000 sq.m.

OUTLET PROJECTS

Beijing • Integrated Outlets Project



The project is located in Changyang Town, Fangshan District, Beijing. It is in close proximity to Changyang West Station of the Fangshan line on the intercity railway and is only a 30-minute drive from Financial Street in Beijing via the Beijing-Shijiazhuang Expressway. This is a representative project of the Group's integrated "Residential + Outlet" business line in Beijing, and features discount stores of world renowned brands.

Project total GFA: approximately 340,000 sq.m.

Hainan • Integrated Outlets Project

The project is located in Wanning city in the eastern part of Hainan, an island province which is an international tourist destination. Wanning is a coastal city in Southern China, and is surrounded by the South China sea, Qiongzong, Lingshui and Qionghai. The area has a unique natural environment, and many shopping and tourist attractions nearby.

Project total GFA: approximately 310,000 sq.m.



Huzhou • Integrated Outlets Project

Situated at the center of the southern Taihu Lake tourist district, the project is surrounded by Taihu Lake, Changdougang, and Meixi Road, and Binhu Road runs through the center of the project. The project incorporates outlets, luxurious five star hotels, and high end villas. The residential section will be built in the style of a small European town and include private villas, townhouses, houses with gardens and lake-view apartments. Tuscan style villas will be built around the lake to cater to high-end buyers.

Project total GFA: approximately 250,000 sq.m.



Kunshan • Integrated Outlets Project



The project is located at the south-east corner of the East New Town of Kunshan City, next to the South High Technology Enterprise Park. The project is BCL's first in Kunshan, a region with a large customer base and significant market demand. Approximately 180,000 sq.m. of the site area will be occupied by commercial buildings, such as outlets, and some sidewalk shops, all in an art deco style that expresses the elegance and fashion of the development. Nearly 40% of the land will be designated green space.

Planned project total GFA: approximately 1.3 million sq.m.

Hangzhou • Integrated Outlets Project



The project is located by the major road that links downtown Hangzhou and Fuyang District, allowing it to take advantage of the dynamic urban development of both cities. The project is conveniently located next to the Hangzhou-Huangshan high-speed railway station and Metro Line No.6. The project opened in November 2017 and achieved opening-day customer traffic of nearly 90,000 and sales of approximately RMB13 million.

Planned project total GFA: approximately 110,000 sq.m.

Nanchang • Integrated Outlets Project

The project is located in the center of Xinjian District, Nanchang City. It is adjacent to the Economic Development Zone and multiple highways in the city. Important local residential and commercial areas are within a three-kilometer diameter to the project. The project is designed to be an integrated outlets complex that incorporates retail, dining, leisure and entertainment.

Planned project total GFA: approximately 191,000 sq.m.



OVERSEAS PROJECTS

Sydney • Project Merrylands

The project is located in Merrylands in western Sydney and near Parramatta, which is recognized as Sydney's second central business district ("CBD"). It is about 25 kilometers away from Sydney CBD and quite close to the Merrylands railway station. The project has easy access to educational institutions and various living facilities.

Project total GFA: approximately 106,000 sq.m.



Sydney & Brisbane • Project Max



The project is comprised of three subprojects in Sydney and one in Brisbane, all of which are located in important regions, in particular, key areas that have been masterplanned by the government. They are all adjacent to train stations, a number of highways, and an extensive transportation network, and feature well-established living facilities.

Project total GFA: approximately 104,000 sq.m.

Sydney • Project Auto Alley



The project is located in the heart of Parramatta CBD, the second largest suburb in western Sydney. Parramatta CBD is one of the key master planned areas by the government and is adjacent to a number of train stations and highways. The area has an extensive transportation network and well-established living facilities.

Project total GFA: approximately 98,000 sq.m.

PROPERTY SALES PERFORMANCE

In 2017, The Group, together with its joint ventures and associated companies, achieved total contracted sales of RMB55.85 billion, up 22.7% from the same period last year. Total contracted sales area was approximately 2.4 million sq.m., up 6.0% from the same period last year. The average selling price was over RMB23,000 per square meter, up 15.8% from the same period last year.

City	Approximate Contracted Sales Area (sq.m.)	Approximate Contracted Average Selling Price (RMB/sq.m.)	Approximate Contracted Sales Revenue (RMB'000)
Beijing	565,103	39,963	22,582,967
Shanghai	146,500	28,820	4,222,199
Tianjin	545,532	19,494	10,634,779
Chongqing	202,107	9,033	1,825,685
Chengdu	275,601	13,281	3,660,354
Others	522,535	10,900	5,695,695
Sydney and Brisbane	142,286	50,795	7,227,366
Total	2,399,664	23,274	55,849,045

During the year, against a backdrop of tightening property market policies, the Group firmly adhered to achieving “quality growth” as its core vision, focused on improving its capabilities of developing high-end projects, and strengthened its overall in-house sales team. The Group maintained strong sales momentum in core cities while accelerating its de-stocking process in non-core cities. The Group also set up a big data platform to share all customers through all projects and support the Group’s objective of achieving record sales performance.

1. The Group continued to maintain its leading performance in core cities and accelerate the destocking process in non-core cities. During the year, total contracted sales in the Group’s six core cities and Australia were RMB50.15 billion, accounting for nearly 90% of total sales. Beijing remained a core area for the Company as contracted sales reached RMB22.58 billion, accounting for 40.4% of total sales, an increase of 30.9% year-over-year. In non-core cities, the Group took advantage of favorable market conditions to exceed its annual sales target. Total contracted sales in non-core cities were RMB5.7 billion, an increase of 135.1% year-over-year.
2. The Group continued to develop high-end projects in its core cities, which helped to further enhance BCL’s brand. During the year, the Group accelerated the launch of high-end projects in order to enhance the Group’s various brands. BCL aims to meet customer demand while guaranteeing product and service quality, which also helped to enhance the Group’s brand premium. During the year, the average selling price of the Group’s “Tian Yue” projects reached more than RMB80,000 per sq.m., and the average selling price of its “Tian Xi” project reached to more than RMB180,000 per sq.m.
3. The Group worked to improve the capabilities of its in-house sales team across all regions and strengthened its marketing management system. During the year, the Group established a marketing-centered resource sharing system that dynamically manages the use of resources among different cities. This resource sharing system was able to cover all projects and customers and support dynamic management. The in-house sales team achieved total contracted sales of RMB17.2 billion, which translates into nearly RMB60 million of contracted sales per person.

LAND BANK

In 2017, the Group's focused on three core metropolitan areas and actively acquired primary land development resources in the Beijing-Tianjin-Hebei region. During 2017, the Group added 19 new secondary development projects with a total GFA of 3.2 million sq.m. for RMB36.76 billion. The Group's six core cities and the Australian market accounted for 93% of the total land investment. The Group took advantage of favorable conditions for land supply in Beijing to make RMB17.47 billion of land investments, accounting for nearly 50% of total land investment. During the year, the Group also entered the Shenzhen and Hangzhou markets for the first time, acquiring the Longhua project in Shenzhen and the Yuhang project in Hangzhou. These two acquisitions also marked the Group's expansions into the core metropolitan areas of the Guangdong- Hong Kong-Macau Greater Bay Area and the Yangtze River Delta.

During the year, the Group actively acquired new projects through mergers and acquisitions, including a number of high-quality projects at a reasonable cost in core cities, such as Beijing Fangshan Liangxiang project, the "Tian Yue Hai He" and Xiqing Zhongbei Town projects in Tianjin. "Tian Yue Hai He" is a project located above a metro station in the heart of Hebei District, Tianjin. It has a total GFA of 436,000 sq.m.

In 2017, the Group actively developed its primary land and industrial property business in the Beijing-Tianjin-Hebei region. It is expected to become a key business line over the long term. During the year, BCL won a bid for the Beishicao Shanty Town Redevelopment Project in the Shunyi District of Beijing. The project has a site area of 608,000 hectares and is expected to help replenish the Group's land resources in its core cities.

As of 31 December 2017, the Group's land bank had an aggregate GFA of 11.54 million sq.m. (8.05 million sq.m. of which was attributable to the Company's equity interests) and had a total ground area of 8.93 million sq.m. (6.20 million sq.m. of which was attributable to the Company's equity interests). Of the total land bank GFA, approximately 82% is for property development projects, and 18% is for investment properties and other use. The existing land bank is considered to be of optimum scale and the Group believes its resources in core cities are sufficient. Moreover, the Group believes that its current land bank will be sufficient to meet its growth expectations and performance goals for the next three years.

Secondary Development Projects Invested in 2017

City	Project	Site Area of land (sq.m.)	Total GFA (sq.m.)	Ground GFA (sq.m.)
Beijing	Beijing Pinggu Jinhai Lake Changchunyuan Project	220,878	316,069	153,116
Beijing	Beijing Miyun Tanying Town Project	60,999	215,323	145,149
Beijing	Beijing Daxing Yinghai Project	75,065	231,532	133,506
Beijing	Beijing Daxing Yizhuang Project	76,286	305,512	181,983
Beijing	Beijing Fangshan Liangxiang Project	53,579	160,668	101,510
Beijing	Beijing Miyun New Town Block 0102 Project	13,868	60,106	38,830
Shanghai	Shanghai Yingpu Street Community Project 22-05	21,491	48,221	32,236
Shanghai	Shanghai Yingpu Street Community Project 25-04	14,909	33,767	22,364
Shenzhen	Shenzhen Longhua Project	9,519	67,596	43,596
Tianjin	Phase 1, Tianjin Beiyunhe Project	66,888	415,950	252,650
Tianjin	Tianjin Hongqiao Project	38,704	106,010	80,000
Tianjin	Tianjin Xiqing Zhongbei Town Project	41,175	106,555	78,232
Tianjin	Tianjin Wuqing International Peninsula Project	296,174	497,296	320,050
Chongqing	Chongqing Dapingquan Project	14,447	76,603	60,000
Hangzhou	Hangzhou Yuhang Project	85,897	195,424	128,846
Zhengzhou	Zhengzhou outlets project A2	18,168	15,513	15,513
Kunming	Kunming Capital Outlets	67,920	133,500	87,000
Sydney and Brisbane	Project MAX	37,356	103,953	103,953
Sydney	Project AutoAlley	14,287	97,758	97,758
Total		1,227,610	3,187,356	2,076,292

HUMAN RESOURCES

As of 31 December 2017, the Group employed 2,224 professionals who had an average age of 33.6. In terms of education, 74.9% of employees hold a bachelor's degree or higher and 12.4% of employees hold a master's degree or higher. Employees with intermediate or senior professional titles accounted for 20.7%.

In 2017, BCL endeavored to redefine the capabilities and skills required by the Group's new five-year strategic plan. At the same time, the Group adjusted its talent and incentive mechanisms in an effort to continuously improve its culture and business performance as a whole. As a result, the Group saw improvements from top to bottom, and from conceptual thinking to practical action, which helped lay a solid foundation for the Group's implementation of its new strategy.

The Group focused on executing its strategy of achieving "quality growth" by building a robust platform for sustainable development, and upgrading its organizational structure. The Group continued to strengthen its business platforms in core regions and completed a number of improvements to its business in areas such as Beijing and Jiangsu. Under the new organizational structure, the Group was able to actively accelerate the development of innovative new projects, foster cultural and creative industries, and expand its financial services businesses for greater success during China's 13th Five-year Plan period.

The Group always adheres to the concept of “developing talent as its most crucial capital”. With an ever-evolving and ever-improving approach to talent development, the Group looked to lure top professionals from the industry. The Group provided tailor-made full life-cycle training programs to arm employees with the skills that the Company’s development strategy requires, and provided various educational programs for employees to sharpen their professional expertise, and practice new skills in the field. BCL is dedicated to upgrading its pool of talent to ensure that the Group can achieve sustainable growth over the long term.

The Group continually strives to promote a corporate culture based on passion and trust, and endeavors to foster a work environment that is full of joy, collaboration and innovation. The Group’s corporate culture is closely tied to its strategic goals, and is able to better focus the Group’s corporate strategies.

BUSINESS MODEL

Residential Property Development

Focusing on BCL’s three core metropolitan areas of Beijing-Tianjin-Hebei, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area, the Group invested in key areas and focused on core resources. Led by mid- to high-end residential projects, the Group refined its research and development capabilities in order to develop innovative products for first-time home buyers and buyers looking for upgrades. The Group also enhanced its product quality and improved its customer service in order to enhance the overall brand.

Representative product lines of BCL’s residential development include the following series: “Tian Yue”, “Xi Rui”, “A-Z Town”, “Capital First City” and “Capital City”.

Outlets

Leveraging on Capital Grand, the commercial property development arm of Beijing Capital Land, the Group followed heavy-asset business model and light-asset business model in parallel to rapidly and strategically expand its outlet projects in target cities through construction, M&A and joint ventures. The objective was to build the largest outlet operating platform in Mainland China and to distinguish the Group from its competitors with its growth potential. Meanwhile, the Group provided a wide array of brands access to consumers through these outlets by strategically connecting consumers to those commercial brands, and ultimately helped all parties achieve great success.

Representative projects of BCL’s outlets include the Beijing Fangshan Capital Outlets, Hainan Wanning Capital Outlets, Zhejiang Hangzhou Capital Outlets and Jiangxi Nanchang Capital Outlets.

Urban Core Complex

High-end urban commercial complexes that are developed above metro stations in the central areas of key cities such as Beijing, Shanghai and Shenzhen will remain a key business focus. By introducing top-tier business partners and integrating resources such as land, capital, brands and operations, the Group endeavors to develop landmark projects that will bring value-added returns and securitized assets. The Group will continue to drive growth of its urban core complex business line and establish an asset expansion platform on top of it.

Representative projects of BCL’s urban complexes include the Beijing Lize Financial Business District Project and Beijing International Center Project.

Primary Land Development (Including Shantytown Redevelopment)

The primary land development business (including shantytown redevelopment) allows the Company to benefit from land value growth and enables the Company to acquire prime land resources at lower costs. In addition, large scale development allows the Group to explore and develop industry-city integration models, which is a way to increase land value and product differentiation.

Representative projects of BCL's primary land development projects (including shantytown redevelopment) include the Beijing Hujialou shantytown redevelopment project, the Beishicao shantytown redevelopment project and the Tianjin Wuqing primary land development project.

STRATEGY AND OUTLOOK

Looking ahead to 2018, the real estate industry is expected to remain on a steady development track under the "New Normal", where tightening policies over the short-term coexist with longer-term housing policies. At the same time, the trend of divergence among different markets and regions will continue. The Group expects land supply in core cities to be sufficient, industry consolidation to continue to deepen, and more opportunities and challenges to emerge ahead. The Group will continue to adhere to its strategy of achieving "quality growth" and implement the following strategic initiatives:

1. The Group will ensure over RMB75 billion full-year contracted sales and strive to achieve over RMB80 billion, given its ample saleable resources and its strong aspirations for scale growth and fast turnover. While speeding up the development of residential projects to ensure a faster launching and sales pace, The Group will also accelerate destocking non-residential projects in order to speed up fund withdrawals.
2. The Group plans to quickly replicate its highly successful high-end product lines, such as "Tian Yue" and "Xi Rui", and roll out big data applications that will help boost its product competitiveness and operational capabilities, and further propel the "Capital Made 2020" product strategy. The Group aims to upgrade its entire business value chain, from pre-project planning, product design, and product R&D, to construction quality, brand marketing, and property services. Such investments will help refine product R&D, enhance brand value and lean management, and contribute to the Group's integrated operational leadership.
3. The Group will upgrade its investment strategy from single core cities to three core metropolitan areas: the Beijing-Tianjin-Hebei Region, the Yangtze River Delta Region, and the Guangdong-Hong Kong-Macau Great Bay Region. By taking advantage of synergies with Beijing Capital Group, including the railway business, the Beijing-Tianjin Cooperation Demonstration Zone and the Beijing Small Town Development Fund, the Group will step up its efforts to acquire primary land and shantytown redevelopment resources. In the meantime, the Group will actively search for M&A opportunities to acquire core resources in its core areas of development.

4. The Group plans to establish a real estate asset management platform and upgrade its project operating capabilities with the aim of generating stable cash inflow and asset value growth. The target assets on the platform include office buildings in Beijing, Shanghai and Shenzhen, and potentially rental housing projects on collectively-owned land. Focusing on the cultural and creative, high-tech, and healthcare industries in Beijing, the Group aims to establish a development platform for cultural and creative, and industrial property to source renovation and redevelopment opportunities in Beijing, including old shopping malls, old office buildings and old factories. By continuously leveraging the Group's resource advantages in the Beijing-Tianjin-Hebei region, BCL aims to invest more aggressively in primary land development and shantytown redevelopment projects, which would enable the Group to generate stable returns and benefit from land value growth, while the Group also looks to enhance its capabilities to acquire the respective secondary land development projects. In addition, BCL will accelerate the expansion of its outlets business nationwide by adopting an asset-heavy business model and a light-asset business model in parallel as it strives to achieve its strategic goal of "Twenty Cities in Five Years." Meanwhile, the Group will look for merger and acquisition opportunities for outlets arising from industry consolidation, reinforce its leading position in outlet business scale across the country, and improve its overall business performance.
5. The Group will continue to actively seek various equity financing opportunities and reinforce equity financing such as cooperative development. The Group will look to build a strong fund management platform, through which business development and capital management are expected to dually expand and drive the Group's continued development. The Group will proactively deal with tightening credit conditions and continuously expand its financing channels, lower financing costs and control financing risks. In particular, BCL will further explore direct financing opportunities, including corporate bonds, medium-term notes, housing lease renewable bonds, offshore bonds, and other diversified, low-cost financing tools to support the Group's continued business development.

FINANCIAL ANALYSIS

In 2017, revenue of the Group was approximately RMB21,292,040,000 (2016: RMB20,349,404,000), representing an increase of approximately 5% as compared with 2016. Such increase in revenue was mainly attributable to the increase in new projects completed and occupied and revenue of primary land development during the period. In 2017, the Group achieved a gross profit margin after business tax of approximately 27%, representing an increase of 14 percentage points when comparing to 13% in 2016, which was mainly attributable to an increase of gross profit margin in new projects completed and occupied and revenue of primary land development during the period.

In 2017, the operating profit of the Group was approximately RMB3,835,350,000 (2016: RMB3,815,077,000), representing an increase of approximately 1% as compared to 2016.

1. Financial Resources, Liquidity and Liability Position

During the period under review, the Group maintained a healthy liquidity position and a reasonable appropriation of financial resources. As at 31 December 2017, the Group's total assets were RMB141,421,169,000 (31 December 2016: RMB119,459,640,000), of which current assets were RMB111,827,343,000 (31 December 2016: RMB94,588,284,000) and non-current assets were RMB29,593,826,000 (31 December 2016: RMB24,871,356,000), the total liabilities were RMB109,489,636,000 (31 December 2016: RMB91,908,938,000), of which current liabilities were RMB66,045,368,000 (31 December 2016: RMB48,065,234,000), non-current liabilities were RMB43,444,268,000 (31 December 2016: RMB43,843,704,000), total equity was RMB31,931,533,000 (31 December 2016: RMB27,550,702,000).

The Group has sound liquidity and solvency. Current ratio of the Group as at 31 December 2017 was 1.69 (31 December 2016: 1.97).

As at 31 December 2017, the Group's cash at bank and on hand amounted to RMB21,038,178,000 (31 December 2016: RMB17,926,073,000), which represented sufficient cash flow for operations. As at 31 December 2017, bank loans and debentures of the Group amounted to RMB66,454,653,000 (31 December 2016: RMB58,188,779,000) in aggregate, of which the long-term loans and debentures amounted to RMB40,829,869,000 (31 December 2016: RMB41,312,450,000). The bank loans were mainly used to satisfy the capital requirements of the Group's property development projects.

As at 31 December 2017, the Group's gearing ratio was approximately 77% (31 December 2016: 77%). The gearing ratio of the Group is calculated as the total liabilities divided by total assets.

2. Changes in major subsidiaries, principal jointly controlled entities and associates

Beijing Xiangneng Real Estate Co., Ltd. (北京翔能置業有限公司), a subsidiary of the Group, was established in January 2017, and 100% of its equity interest was held by the Group.

Chongqing Shouju Outlets Real Estate Co., Ltd. (重慶首鉅奧特萊斯置業有限公司), a subsidiary of the Group, was established in January 2017, and 72.39% of its net assets was held by the Group.

Kunming Capital Outlets Business Operation Management Limited. (昆明首創奧萊商業運營管理有限公司), a subsidiary of the Group, was established in May 2017, and 61.53% of its net assets was held by the Group.

Juyuan Xincheng (Tianjin) Commercial Management LLP, (聚源信誠(天津)商業管理合夥企業(有限合夥)) was established in May 2017, and 100% of its equity interest was held by Group.

Shenzhen Shoulong Real Estate Development Co. Ltd (深圳首龍房地產開發有限公司), a subsidiary of the Group, was established in July 2017, and 100% of its equity interest was held by the Group.

Tianjin Xingtai Jichang Real Estate Co., Ltd (天津興泰吉昌置業有限公司), a subsidiary of the Group, was established in August 2017, and 100% of its equity interest was held by the Group.

Shanghai Lingliu Real Estate Co., Ltd (上海瓏毓置業有限公司), a subsidiary of the Group, was established in September 2017 and 100% of its equity interest was held by the Group.

Shanghai Shoudian Real Estate Co., Ltd (上海首淀置業有限公司), a subsidiary of the Group, was established in September 2017 and 100% of its equity interest was held by the Group.

During the year, the Group acquired 100% equity interest of Shenyang Haohua Land Limited (瀋陽昊華置業有限公司).

Beijing Tengtai Yiyuan Real Estate Co., Ltd. (北京騰泰億遠置業有限公司) (the "Tengtai Yiyuan"), a joint venture of the Group, was established in July 2017, and 25% of its equity interest was held by the Group.

During the year, the Group acquired 35% equity interest of Capital Jiaming New Town Investment and Development Ltd (首創嘉銘新城鎮投資發展有限公司). Upon completion of the acquisition, Capital Jiaming New Town Investment and Development Ltd was held as to 70% by the Group in aggregate which become a subsidiary of the Group.

During the year, the Group entered into an agreement with the partner of its former joint venture Beijing Tongchuang Jinlong Real Estate Co. Ltd. (北京同創金龍置業有限公司), specifying the Group maintains control over Tongchuang Jinlong, which become a subsidiary of the Group afterwards.

During the year, the Group and a partner jointly invested in the establishment of Beijing Chuangyuan Yicheng Real Estate Co., Ltd (北京創遠亦程置業有限公司). Upon completion of the investment, the Group held 50% of equity interest in its joint venture, Beijing Chuangyuan Yicheng Real Estate Co., Ltd.

During the year, the Group and a partner jointly invested in the establishment of Beijing Yuanchuang Xingmao Real Estate Co., Ltd (北京遠創興茂置業有限公司). Upon completion of the investment, the Group held 30% of equity interest in its joint venture, Beijing Yuanchuang Xingmao Real Estate Co., Ltd.

During the year, the Group acquired 49% equity interest of Tianjin Chengtie Gangtie Construction Company Limited (天津城鐵港鐵建設有限公司). Upon completion of the acquisition, Tianjin Chengtie Gangtie Construction Company Limited became the joint venture of the Group.

During the year, the Group has entered into an agreement with the partner in relations to the joint development project of the property on the land at No.19, Wuqing through Tianjin Yongyuan Real Estate Co., Ltd (天津永元置業有限公司) (the "Tianjin Yongyuan"), a subsidiary of the Group, as the platform. The Group held 100% of net assets in the existing real estate projects of the Tianjin Yongyuan, while in the new cooperative project, 30% of the net assets was held by the Group and 70% by the partner.

During the year, the Group has entered into an agreement with the partner in relations to the joint development project of the property on the land at No.24 Wuqing through Tianjin Jiqing Property Co. Ltd (天津吉慶置業有限公司), a subsidiary of the Group, as the platform. The Group and the partner held 50% of equity interest in the project respectively.

During the year, the Group has entered into an agreement with the partner, who will invest in Nanchang Huachuang Xinghong Co. Ltd (南昌華創興洪有限公司) (the "Nanchang Huachuang"), a subsidiary of the Group, by capital injection. Upon completion of the capital injection, the Group held 40% of equity interest in its joint venture, Nanchang Huachuang, which became an associate of the Group.

3. Entrusted Deposits and Overdue Time Deposits

As at 31 December 2017, the Group did not have any entrusted deposits in financial institutions in the PRC. Most of the Group's cash was held in commercial banks in the PRC in compliance with applicable laws and regulations. The Group has no bank deposits which are not recoverable upon maturity.

4. Borrowings

As at 31 December 2017, bank loans of RMB5,864,651,000 (31 December 2016: RMB7,773,813,000) were credit loans obtained by the Group.

As at 31 December 2017, bank loans of RMB5,204,164,000 (31 December 2016: RMB3,343,360,000) were secured by the guarantee provided by the Group for its subsidiaries.

As at 31 December 2017, bank loans of RMB5,500,000,000 (31 December 2016: RMB6,500,000,000) were secured by the guarantee provided by Capital Group for the Group.

As at 31 December 2017, bank loans of RMB700,000,000 (31 December 2016: RMB700,000,000) were secured by the guarantee provided by the subsidiaries of the Group for the Company.

As at 31 December 2017, bank loans of RMB2,298,000,000 (31 December 2016: Nil) were secured by the guarantee provided by the Company or individual third-party for the subsidiaries of the Group.

As at 31 December 2017, bank loans of RMB3,219,375,000 (31 December 2016: RMB3,636,190,000) were secured by certain properties under development.

As at 31 December 2017, bank loans of RMB3,190,000,000 (31 December 2016: RMB743,000,000) were secured by buildings and land use rights in investment properties.

As at 31 December 2017, bank loans of RMB1,698,240,000 (31 December 2016: RMB2,802,040,000) were secured by the guarantee provided by the Group for its subsidiaries, and secured by certain properties under development of the subsidiaries.

As at 31 December 2017, bank loans of RMB885,000,000 (31 December 2016: RMB540,000,000) were secured by the guarantee provided by the Group for its subsidiaries, and secured by investment properties of the subsidiaries and their land use rights.

As at 31 December 2017, bank loans of RMB200,000,000 (31 December 2016: Nil) were secured by the guarantee provided by the Group's subsidiaries for the Group's subsidiaries, and secured by investment properties of the subsidiaries and their land use rights.

As at 31 December 2017, bank loans of RMB1,220,000,000 (31 December 2016: RMB1,220,000,000) were secured by the guarantee provided by Capital Group for the Group, and secured by land use rights under development of the Group.

As at 31 December 2017, bank loans of RMB224,743,000 (31 December 2016: RMB739,327,000) were pledged by bank deposits of the Group.

As at 31 December 2017, bank loans of RMB1,482,000,000 (31 December 2016: RMB500,000,000) were secured by the guarantee provided by the Group, and were pledged by its subsidiaries' equity interest.

As at 31 December 2017, bank loans of RMB1,090,000,000 (31 December 2016: Nil) were secured by the guarantee provided by the Group for its subsidiaries, secured by investment properties of the subsidiaries and their land use rights and were pledged by the income right of the Group.

As at 31 December 2017, bank loans of RMB888,000,000 (31 December 2016: RMB720,000,000) were pledged by the corresponding income right of land use rights under development of the subsidiaries of the Group.

As at 31 December 2017, bank loans of RMB150,000,000 (31 December 2016: Nil) were secured by the guarantee provided by the Group for its subsidiaries, and were pledged by the trade receivable of the Group's subsidiaries.

5. Corporate Bonds

In May 2015, the Group issued 5-year RMB listed bonds in a principal amount of RMB3,000,000,000 with an interest rate of 4.58% per annum.

In October 2015, the Group issued 3-year RMB private bonds in a principal amount of RMB2,500,000,000 with a prevailing interest rate of 5.4% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In December 2015, the Group issued 3-year RMB private bonds in a principal amount of RMB2,500,000,000 with an interest rate of 4.78% per annum.

In April 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB700,000,000 with a prevailing interest rate of 4% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In April 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB2,300,000,000 with a prevailing interest rate of 4.2% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the third year.

In June 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB2,300,000,000 with a prevailing interest rate of 4.1% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In June 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB1,700,000,000 with a prevailing interest rate of 4.26% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the third year.

In July 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB2,000,000,000 with a prevailing interest rate of 3.71% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In July 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB1,000,000,000 with a prevailing interest rate of 3.84% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the third year.

In September 2017, the Group issued 3-year RMB corporate bonds in a principal amount of RMB500,000,000 with a prevailing rate of 5% per annum.

In November 2017, the Group issued 3-year RMB corporate bonds in a principal amount of RMB500,000,000 with a prevailing rate of 5.7% per annum.

6. Notes

In February 2014, Central Plaza Development Ltd. ("Central Plaza") established a Guaranteed Medium Term Notes and Perpetual Securities Scheme (the "Scheme"), guaranteed by International Financial Center Property Ltd. ("IFC") or, as the case may be, the Company, for securities to be issued thereunder. Under the Scheme, Central Plaza may offer and issue securities in a principal amount of up to USD1,000,000,000.

In February 2014, Central Plaza made a drawdown under the Scheme to offer and issue 3-year notes in a total principal amount of RMB2,000,000,000 at an interest rate of 5.75% per annum. In February 2017, the notes have been repaid.

In February 2014, Central Plaza made a drawdown under the Scheme to offer and issue 5-year notes in a total principal amount of RMB250,000,000 at an interest rate of 6.875% per annum.

In April 2014, Central Plaza made a drawdown under the Scheme to offer and issue 3-year notes in a total principal amount of RMB1,000,000,000 at an interest rate of 5.75% per annum. In February 2017, the notes have been repaid.

In July 2015, Rosy Capital Global Limited ("Rosy Capital"), a subsidiary of the Group, issued 3-year RMB term notes in a principal amount of RMB1,300,000,000 with an interest rate of 5.25% per annum, which were guaranteed by subsidiaries of the Group and a keepwell and liquidity support deed provided by Capital Group.

In January 2017, Central Plaza renewed the Scheme, guaranteed by IFC or, as the case may be, the Company, for securities to be issued thereunder. Under the renewed Scheme, Central Plaza may offer and issue securities in a principal amount of up to USD1,000,000,000.

In January 2017, Central Plaza made a drawdown under the renewed Scheme to offer and issue 3-year notes in a total principal amount of USD400,000,000 at an interest rate of 3.875% per annum.

In July 2017, Central Plaza made a drawdown under the renewed Scheme to offer and issue 3-year notes in a total principal amount of USD100,000,000 at an interest rate of 3.7% per annum.

7. Equity Instrument

As of 31 December 2017, Central Plaza issued a total amount of USD850,000,000 senior perpetual securities. Such securities were guaranteed by certain subsidiaries of the Group including IFC. Such securities have no maturity date and are redeemable at the option of Central Plaza as the issuer. Central Plaza as the issuer may elect to defer distribution with no times limit only if Central Plaza or the Company does not declare or pay a dividend. The securities are classified as equity instrument, where: in April 2013, Central Plaza issued USD400,000,000 senior perpetual capital securities at a distribution rate of 8.375%. In November 2014, Central Plaza issued USD450,000,000 perpetual securities under the Medium Term Notes and Perpetual Securities Scheme at a distribution rate of 7.125%.

In January 2015, Tiandi Fangzhong raised a total amount of RMB1,200,000,000. According to the terms of Investment Agreement, the amount of non-controlling interests recognized amounted to RMB1,075,200,000 after deducting the inevitable dividend payable in the foreseeable future. In July 2016, it is declared that the 50% of the assets management plan's principal would be settled by the Group in January 2017. As at 31 December 2016, the remaining non-controlling interests recognized amounted to RMB537,600,000 after deducting the amount was reclassified to current portion of non-current liabilities. In January 2017, the above assets management plan was settled.

In July 2016, the Group through Xinghan Assets raised a total amount of RMB3,000,000,000. According to the terms of Investment Agreement, the amount of other equity instruments recognized amounted to RMB2,895,291,000 after deducting the inevitable dividend payable in the foreseeable future.

In September 2017, the Group through Huaxin International Trustee raised a total amount of RMB2,000,000,000. According to the terms of Investment Agreement, the amount of other equity instruments recognized amounted to RMB1,970,027,000 after deducting the inevitable dividend payable in the foreseeable future.

In December 2017, the Group through Sino-Australian International Trust raised a total amount of RMB1,100,000,000. According to the terms of Investment Agreement, the amount of other equity instruments recognized amounted to RMB1,024,650,000 after deducting the inevitable dividend payable in the foreseeable future.

8. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB7,966,533,000 at 31 December 2017 (31 December 2016: RMB6,648,906,000). Such guarantees will be terminated upon: (i) the issuance of the real estate interestship certificate which will generally be available within six months to two years after the Group transfers the interestship of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate other right certificate relating to the relevant property.

As at 31 December 2017, the Group provided a guarantee for its subsidiaries' borrowing of RMB11,236,092,000 (31 December 2016: RMB13,487,075,000).

As at 31 December 2017, IFC, a subsidiary of the Group, provided guarantees for the guaranteed notes of RMB250,000,000, medium term note of USD500,000,000 and the senior perpetual capital securities of USD850,000,000 issued by Central Plaza, a subsidiary of the Group.

As at 31 December 2017, Capital Grand, a subsidiary of the Group, provided a guarantee for the guaranteed notes of RMB1,300,000,000 issued by Rosy Capital, a subsidiary of the Group.

As at 31 December 2017, the Group provided a guarantee of RMB100,000,000 for Shenyang Jitian Real Estate, a joint venture of the Group, for a long term borrowing amounted to RMB200,000,000.

Save as the above, the Group had no other material external guarantee.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Li Songping (李松平), aged 55, was appointed as non-executive Director in February 2016 and was appointed as Chairman of the Company in August 2016. Mr. Li is currently a senior accountant. Mr. Li joined Capital Group in March 2006, and has served as standing party committee, director and deputy general manager, and held the position of deputy party secretary, director and general manager of Capital Group since November 2015. Mr. Li has also served as a non-executive director of Capital Grand from February 2016 to December 2016. Prior to joining Capital Group, Mr. Li worked at State-owned 761 Factory from August 1984 to March 1995, and served as the deputy director and the director of the finance department, and he became the deputy plant manager since 1994. From March 1995 to April 1996, he was the deputy director of Electronics Industry Office of the People's Government of Beijing Municipality. From April 1996 to July 1997, he was the director and the general accountant of Beijing Jingzhi Electronics Co., Ltd. From July 1997 to March 2000, he was the director and the general accountant of Beijing Electronic Information Industry (Group) Co., Ltd. From March 2000 to March 2006, he was the director and the general accountant of Beijing Electronics Holdings Co., Ltd. Mr. Li obtained a Master's degree in Management from Changchun University of Science and Technology in 2009.

EXECUTIVE DIRECTOR

Tang Jun (唐軍), aged 58, was appointed as executive Director and the President of the Company since December 2002. Mr. Tang is also a director of certain subsidiaries. Mr. Tang has also served as chairman of the board and executive director of Capital Grand from December 2013 to January 2017. Mr. Tang has worked for Beijing Municipal Commission of Development and Planning from June 1986 to July 1989 and Beijing Composite Investments Company from July 1989 to October 1995. From October 1995 to May 2004, Mr. Tang was the general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang also serves as Chairman of Yang Guang Co., Ltd. (SZSE Stock Code: 000608) since October 1997, a director of Hua Yuan Co., Ltd. (SHSE Stock Code: 600743) from October 2008 to February 2018. Mr. Tang obtained his Bachelor degree in Construction Engineering from Hefei University of Technology in 1982.

Li Xiaobin (李曉斌), aged 48, was appointed as executive Director in May 2017. Mr. Li joined Capital Group in April 2003 and served as a staff member, deputy general manager and general manager of human resources department of Capital Group from April 2003 to October 2013. Mr. Li has served as the board secretary of Capital Group from August 2007 to May 2017 and also served as head of the board office of Capital Group from August 2013 to April 2017. He was also the general manager of collaborative development department of Capital Group from January 2014 to December 2016. Mr. Li serves as Party Committee Secretary of the Company since May 2017. Prior to joining Capital Group, Mr. Li served as secretary of the President Office, chief secretary, deputy head of the president office and Branch Party Committee Secretary of China National Packaging Import & Export Corporation* (中國包裝進出口總公司) from August 1992 to March 2001; deputy head of general office, board secretary, manager of human resources department, human resources and administration director, assistant to the chairman of the board of Zhuojing Investment Holdings Co., Ltd.* (卓京投資控股有限公司) from March 2001 to July 2002; administrative director of Beijing Junshi Investment Holdings Group Co., Ltd.* (北京君士投資控股集團有限公司) from July 2002 to October 2002; human resources and administrative director of Beijing Dadi Investment Co., Ltd.* (北京大地投資有限公司) from October 2002 to January 2003; and head of human resources and administration office of Stellar Megamedia Co., Ltd.* (星美傳媒有限公司) from January 2003 to April 2003. Mr. Li obtained a Bachelor of Arts degree from Peking University in July 1992 and a Master's degree in Public Administration from Peking University in July 2012.

NON-EXECUTIVE DIRECTORS

Su Zhaohui (蘇朝暉), aged 49, was appointed as non-executive Director in October 2017. Mr. Su is currently a senior economist. Mr. Su joined Capital Group served as the deputy general manager since August 2011, and took position as member of the standing party committee of Capital Group since March 2017. Prior to joining Capital Group, Mr. Su worked at China Golden Newspaper from July 1991 to August 1998, successively served as editor, director of the No. 1 editorial office and editorial director. He worked at the State Gold Administration Bureau of the State Economic and Trade Commission from August 1998 to January 2004, successively served as office cadre, deputy researcher and deputy director of the office. He worked at China National Gold Group Corporation from January 2004 to August 2011, successively served as the director of the office, the head of the office (legal service department), the general counsel and the manager of legal affairs department. Mr. Su obtained a bachelor's degree in law from Huazhong University of Science and Technology in July 1991, and a master's degree in law from Renmin University of China in July 2002.

Sun Shaolin (孫少林), aged 59, was appointed as non-executive Director in September 2016. Mr. Sun is an engineer. He joined Capital Group in January 2005 and had served as the deputy general manager of Strategic Planning Department and the deputy supervisor of the Corporate Structure Adjustment Office and the general manager of Strategic Planning Department. Mr. Sun served as a general manager of the Strategic Management Department of Capital Group from April 2013 to April 2017 and has served as the Strategic Management Director of Capital Group since August 2014, and director of Beijing Capital Co., Ltd (SHSE Stock Code: 600008) since January 2017. Mr. Sun is also a non-executive director of Capital Grand since December 2016. Prior to joining Capital Group, Mr. Sun served as a teacher at the Department of Educational Technology of Shaanxi Normal University from January 1982 to September 1985; a principal staff member of Policies and Regulations Division of the Aerospace Engineering Department, and a principal staff member and the deputy director of the Press Office of China Aerospace Corporation from July 1988 to October 1996; the assistant researcher of the Department of General Affairs of Special Administrative Regions of the State Council and the deputy director and researcher of Special Regions Department as well as the researcher and director of Industry System Division of the Economic System Reform Office of the State Council from October 1996 to August 2003. He served as the director of Section II of Special Reform of the Department of General Economic System Reform of Division of the National Development and Reform Commission from August 2003 to January 2005. Mr. Sun graduated from the Department of Radio Engineering of Dalian Engineering Institute in January 1982. Mr. Sun obtained a master's degree in engineering from Harbin Institute of Technology in October 1988.

Su Jian (蘇健), aged 44, was appointed as non-executive Director in September 2016. Mr. Su is an engineer. Mr. Su joined Capital Group since May 2004, and had served as an assistant to the general manager of Beijing Ark garden Real Estate Development Company Limited, the senior manager of the Real Estate Operations Management Department, deputy general manager of the Operations Management Department, and deputy general manager of the Real Estate Department of Capital Group; and has been the general manager of the Real Estate Department of Capital Group since June 2014. Mr. Su is also a non-executive director of Capital Grand since December 2016. Prior to joining Capital Group, Mr. Su served as person in charge of Infrastructure Department of the Sanlian Group in Jinan, Shandong from August 1995 to March 1999, the person in charge of infrastructure projects of Sanlian Commercial Co. Ltd. in Jinan, Shandong from March 1999 to December 2001, the real estate project manager of Sanlian Urban Construction Co., Ltd. in Jinan, Shandong from December 2001 to May 2002. Mr. Su graduated from the Department of Industrial and Civil Architecture at Yantai University in July 1995, and received Master of Business Administration degree from the School of Economics and Management of Tsinghua University in July 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Wang (李旺), aged 54, was appointed as an independent non-executive Director since December 2014. Mr. Li is a professor and a mentor for doctoral students in the School of Law of Tsinghua University, and a director of both Beijing Law Research Society and Chinese Society of International Law. Mr. Li has been an external supervisor of Agricultural Bank of China since June 2015. From April 1993 to March 1994, Mr. Li has served as an assistant lecturer in the School of Law of Kyoto University in Japan. Mr. Li has been a lawyer in Sakamoto Law Firm in Japan, Oh-Ebashi LPC & Partners in Japan and J&R Law Firm in Beijing since April 1994 to November 1997 successively. Since November 1997, Mr. Li has been a lecturer, associate professor and a mentor for doctoral students in the School of Law of Tsinghua University. From October 2000 to October 2015, Mr. Li has been a lawyer in the TCHHF Law Firm in Beijing. Mr. Li has been a lawyer in the Tian Tai Law Firm in Beijing since October 2015. Mr. Li obtained his Bachelor degree in Laws from China University of Political Science and Law in 1986, Master degree in Laws from Kyoto University in Japan in 1990, and Doctoral degree in Laws from Kyoto Sangyo University in Japan in 2005.

Wong Yik Chung John (黃翼忠), aged 51, has been appointed as independent non-executive Director in April 2016. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of Australian Society of Certified Practising Accountants. He also obtained a PRC Certificate of Independent Directorship in 2011. Mr. Wong was the assistant audit manager and the audit manager of PricewaterhouseCoopers from January 1992 to January 1996. Mr. Wong was the senior manager of Ernst & Young Global Limited from January 1996 to June 1998. He was the director of Vantage & Associates from July 1998 to December 1999. Mr. Wong was the director of Deloitte & Touche Corporate Finance Limited from January 2001 to March 2003. He was the director and senior consultant of Vantage Group and TMF Group from February 2003 to June 2010. Mr. Wong has been the director of Vantage Capitals Ltd. since January 2011. Mr. Wong served as the independent non-executive director of Golden Resources Development International Limited (Stock Code: 677) from September 2004 to August 2015, Beijing North Star Company Limited (Stock Code: 588) from May 2009 to May 2015, General Steel Holdings Inc. (New York Stock Exchange stock code: GSI) from August 2005 to July 2015, Western Securities Co., Ltd. (西部證券股份有限公司) (SZSE Stock Code: 002673) from December 2007 to December 2014, Biosino Bio-Technology and Science Incorporation (Stock Code: 8247) from March 2011 to December 2015, and Yang Guang Co., Ltd. (陽光新業地產股份有限公司) (SZSE Stock Code: 000608) from November 2008 to March 2016. Mr. Wong was appointed as the independent non-executive director of Perfect Optronics Limited (Stock Code: 8311) with effect from January 2014 and EcoGreen International Group Limited (Stock Code: 2341) with effect from June 2004 and LongiTech Smart Energy Holding Limited (Stock Code: 1281) with effect from October 2015. Mr. Wong obtained his Bachelor degree in Economics from the University of Melbourne, Australia in 1991.

Liu Xin (劉昕), aged 47, was appointed as independent non-executive Director in December 2017. Mr. Liu is a professor and a PhD tutor of the Institute of Public Organisation and Human Resources at the School of Public Administration and Policy in Renmin University of China, and he is also a researcher at the Institute of Development and Strategy in Renmin University of China. During 1987 to 1997, he studied in the School of Labour and Human Resources in Renmin University of China and was the first student in the PRC who obtained a Doctorate in Labour Economics (Human Resources Stream). He has been teaching in Renmin University of China since his graduation in 1997. From August 1998 to July 1999, Mr. Liu served as a visiting tutor at Ghent University in Belgium. From August 2009 to July 2010, Mr. Liu served as a senior visiting tutor of the Fulbright Program at Harvard University in the US. From September 2011 to January 2012, Mr. Liu served as a postgraduate course professor of Gerald R. Ford School of Public Policy, University of Michigan in the US. From 2003 to 2013, he served as a chief expert and senior partner of Beijing Boom HR Consulting Co., Ltd to participate in the management and operation of the company. Mr. Liu is currently a deputy chairman and chief secretary of China's Association of Human Resource Management Teaching and Practicing, a senior technical titles review expert of Ministry of Human Resources and Social Security of the PRC, a member of Performance Assessment Committee of State Administration of Taxation and a member of WorldatWork (WAW), a total rewards association in the US.

SUPERVISORS

Li Zhang (李章), aged 52, has been appointed as Supervisor in September 2016. Mr. Li Zhang is a senior economist. Mr. Li joined Capital Group since June 2002 and has served as the general manager of the Legal and Audit Department, and has been the staff representative supervisor as well as the general manager of Audit Department of Capital Group since August 2011, as well as the chief auditor of Capital Group since August 2014. Prior to joining Capital Group, Mr. Li worked at the National Audit Office from July 1986 to October 1998, and served as a staff member, deputy principal staff member, principal staff member and deputy director. He served as the deputy general manager of Audit Department of China Cinda Trust & Investment Corporation from October 1998 to May 1999, and the senior manager of the Audit Department of China Cinda Asset Management Co., Ltd. from May 1999 to June 2002. He has been a director of Chengdu Qian Feng Electronics Co Ltd (SHSE Stock Code: 600733) since August 2015. Mr. Li obtained a bachelor's degree in economics from Lanzhou University of Finance in July 1986, and a master's degree in economics from Nankai University in June 1996.

Tang Yanan (湯亞楠), aged 37, was appointed as Supervisor in November 2016. Ms. Tang is an intermediate accountant. Ms. Tang joined Capital Group since February 2006 and had served as head of accounting of the Accounting Information Department of Beijing Capital Co., Ltd., accountant and assistant to general manager of the Financial Management Department of Capital Group, and served as deputy general manager of the Financial Management Department of Capital Group since January 2017. Prior to joining Capital Group, Ms. Tang served as an auditor of Beijing Jingdu Certified Public Accountants from August 2003 to February 2006. Ms. Tang obtained a Bachelor's degree in Management from the School of Business Administration of the Jingdezhen Ceramic Institute, Jiangxi Province in 2003 and a Master of Science in Finance from Hong Kong Baptist University in 2012.

Jiang Hebin (蔣和斌), aged 47, was appointed as Supervisor in December 2011. Mr. Jiang served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the Planning and Consultation Department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the Department of Operation Management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the Cost Control Center successively. Mr. Jiang has served as the general manager of the Risk Control Center of the Company from January 2011 to July 2014. Mr. Jiang is the general manager of the Strategic Procurement Center of the Company from July 2014 to February 2017. Mr. Jiang is general manager of Beijing Lize Financial Business District Holdings Company since October 2016. Mr. Jiang was appointed as the safety officer of the Company in November 2017. Mr. Jiang obtained a Bachelor degree in Works Pricing Management from Jiangxi University of Science and Technology in 1993 and obtained a Master degree in Management Science and Engineering from the Graduate University of Chinese Academy of Sciences in 2007.

SENIOR MANAGEMENT

Hu Weimin (胡衛民), aged 53, was appointed as Vice President since December 2008. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd. successively, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the investment banking department of Beijing Guanwei Investment Management and Consultancy Company. He joined the Company in 2003, and was appointed as Assistant President in January 2007. Mr. Hu has served as Secretary of the Board of Directors from August 2007 to March 2016. Mr. Hu obtained his master degree in engineering from Northeastern University in 1988.

Fan Shubin (范書斌), aged 49, was appointed as Vice President and Chief Financial Officer since October 2016. Mr. Fan served as the head of the Accounting Department of China Nonferrous Metals Industry Technology Development Company Limited from August 1992 to February 1995. He served as the manager of the Financial Department of China Rare Earth Development Company from March 1995 to April 2002. He joined Capital Group in May 2002 and served as the general manager of the Financial Management Department of Beijing Capital Co., Ltd., deputy general manager of the Planning and Financial Department and the general manager of the Financial Management Department of Capital Group. He has served as a supervisor of the Company from December 2011 to October 2016. He obtained a Bachelor's degree in Accounting of Industrial Enterprises from North China University of Technology in July 1991 and a MBA degree from Guanghua School of Management Peking University in July 2000.

Zhong Beichen (鍾北辰), aged 43, was appointed as Vice President in January 2017. Mr. Zhong served as architect of the Planning and Design Institute of the Department of Light Industry of the PRC from June 1996 to May 2000. Mr. Zhong served as architect of Beijing Sunshine Real Estate Comprehensive Development Company from May 2000 to December 2002, served as sales manager of Beijing Heng Yang Hualong Real Estate Co. from December 2001 to December 2003, Ltd, and served as deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd., subsidiary of the Company, general manager of the Commercial Property Development Department of Company Beijing Sunshine City Real Estate Development Co., Ltd., and general manager of the Product R&D Centre of the Company from January 2003 to December 2007 successively. Mr. Zhong served as Vice President of Outlets Investment Management Limited from June 2010 to August 2011. Mr. Zhong served as Assistant President and general manager of Real Estate Development Department, Vice President and general manager of Real Estate Development Department from September 2011 to December 2013. Mr. Zhong was appointed as executive director and chief executive officer of Capital Grand from January 2014 to January 2017 and was appointed as executive director and chairman of the board of Capital Juda since January 2017. Mr. Zhong obtained his Bachelor's degree in Architecture from Xiamen University in 1996.

Li Xuhua (李旭華), aged 41, was appointed as Vice President in January 2017. Mr. Li was a civil engineer of Beijing Urban Construction and Construction Engineering Co., Ltd. from July 1998 to November 2000, and a service manager of Beijing Vanke Enterprise Co., Ltd. customer service center from November 2000 to March 2004. Mr. Li joined the Company in April 2004 and served as senior manager of Marketing Department, assistant general manager of Brand Marketing Center of the Company, assistant general manager and deputy general manager of Chongqing Company and deputy general manager and general manager of Qingdao Company successively. He was appointed as the general manager of Shanghai Company since March 2015 and the Assistant President since May 2016. Mr. Li obtained a bachelor's degree in engineering from Harbin University of Architecture in 1998.

Xu Kai (徐鐸), aged 42, was appointed as the Vice President of the Company in January 2018. Mr. Xu served in Zhongxie Shenzhen Investment Company Limited and engaged in investment management from July 1997 to October 1998. Mr. Xu served as a property consultant at WorldUnion Property Consultancy Co., Ltd. from October 1998 to September 2001. He later served as a marketing manager at Beijing Vantone Real Estate Co., Ltd from September 2001 to June 2005. Mr. Xu joined the Company in June 2005 and had served as the specialized manager and senior manager of Investment Management Center, senior manager of the Brand Marketing Center and the project manager of the Wanning Project of the Company successively. Mr. Xu served as the general manager of Strategic Investment Center of the Company since July 2014. He also served as the general manager of the Operation Management Center of the Company from September 2015 to May 2016. Mr. Xu also served as the general manager of BCL Shenzhen from June 2016 to February 2017 and since July till now. He was appointed as the Assistant President of the Company in June 2016. Mr. Xu obtained a bachelor's degree in Economics from Wuhan University in 1997.

SECRETARY OF THE BOARD OF DIRECTORS

Qin Yi (秦怡), aged 39, was appointed as Secretary of the Board of Directors since March 2016. Ms. Qin served in the financial department of Beijing Saike Pharmaceutical Co., Ltd. from 2000 to 2001. Ms. Qin joined the Company in July 2004 and served as a professional supervisor of business development department, senior manager of Strategy Development Centre, assistant general manager and deputy general manager of Capital Management Centre respectively. Ms. Qin has served as general manager of Capital Management Centre since February 2014. Ms. Qin obtained a Bachelor degree in Economics from China Institute of Finance and Banking in 2000 and a Master degree in Economics from School of Economics from Peking University in 2004.

COMPANY SECRETARY

Lee Sze Wai (李斯維), aged 35, was appointed as Company Secretary since November 2014. Mr. Lee is also a company secretary of Capital Grand. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. He is a charterholder of Chartered Financial Analyst. From February 2010 to August 2011, he served as financial controller and company secretary of Greenfield Chemical Holdings Limited (Stock Code: 582). From August 2011 to November 2014, he worked with Allied Group Limited (Stock Code: 373) as an assistant company secretary. He was the company secretary of Allied Overseas Limited (Stock Code: 593) from March 2012 to January 2014. Mr. Lee obtained his Bachelor degree in Economics and Finance from the University of Hong Kong in 2004.

DIRECTORS' REPORT

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group is principally engaged in real estate development and investment, commercial real estate operation, property consulting services and investment holding. The business review of the Group in accordance with Schedule 3 of Hong Kong Companies Ordinance is set out in "Management Discussion and Analysis" section of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2017, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 90 to 97 of the annual report.

DIVIDENDS

At a Board meeting held on 26 February 2018, the Board proposed a final dividend of RMB0.21 per share based on the Company's total issued number of shares of 3,027,960,000 on the same day and the total amount payable will be approximately RMB635,871,600. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

(a) 2017 Annual General Meeting

2017 Annual General Meeting is expected to be convened on 13 April 2018. The register of members will be closed from Friday, 6 April 2018 to Friday, 13 April 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 April 2018.

(b) Proposed Final Dividend

The register of members will be closed from Wednesday, 25 April 2018 to Monday, 30 April 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 April 2018. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting, will be paid on or before the end of June 2018.

ENTERPRISE INCOME TAX WITHHOLDING OF OVERSEAS NON-RESIDENT ENTERPRISES

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") and other relevant implementation regulations which come into effect in 2008, the Company is required to withhold corporate income tax at the rate of 10% when it distributes the proposed 2017 final dividend to non-resident enterprises (as defined in the Corporate Income Tax Law of the PRC) whose names are registered on the H-share register of members of the Company at 4:30 p.m. on Monday, 30 April 2018. Such non-resident enterprises shall include HKSCC Nominees Limited.

No withholding of corporate income tax will be made in respect of dividends payable to natural persons whose names are registered on the H-share register of members of the Company. The Company will withhold corporate income tax for payment pursuant to, and in accordance with, the relevant PRC tax laws and regulations and based on the information as appeared on the H-share register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the Shareholders and for any claims arising from any delay in or inaccurate determination of the identity of the Shareholders or any dispute over the withholding mechanism.

OTHER RESERVES

Details of movements of other reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 96 of this annual report and the Company Statement of Changes in Equity on page 97 of this annual report.

FINANCIAL HIGHLIGHTS AND FIVE YEAR FINANCIAL SUMMARY

The Group's results and summary of assets and liabilities for the last five years are set out on page 5 of this annual report.

KEY RISK FACTORS

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual 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 Risks:

In light of a series of regulatory policies on the property market launched by the state, the policies regarding the property industry, credit policies and land policies imposed on the Company are subject to adjustments. The uncertainty associated with those policies may expose the Group to risks and in turn cause adverse effects to our investment, operation and sales volume.

Market Risks:

The competition of land bidding within the property market is intensified in recent years. The property markets of the Group's major projects in regions such as Beijing, Tianjin and Shanghai are experiencing material changes due to the fierce competition. If the Group fails to adjust its product mix in a more prompt and efficient manner than its opponents in response to the changing market demand, the Group will become passive in the competition and exposed to material business risks.

KEY RISK FACTORS *(Continued)*

Operation Risks:

Since the property market is closely related to the economy and living environment of the nation, the macroeconomic trend will influence the overall demand and supply as well as the supply structure of the property market. If the Company fails to address the changing macro-economic trend, the Company's operation, management and future development may be adversely affected.

As our property projects are characterized by the nature of long development cycle, extensive investment and wide involvement of related industries and business partners, any defaults made by our clients, suppliers and business partners or any deficiency or failure of our internal control may cause negative effects on the business operation of the Company. In addition, even the Group has established precaution systems and policies against accidents, there are still chances of accidents which may result in a declining financial position and harms to our reputation.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's total purchase of goods and services from its largest and five largest suppliers accounted for about 15.32% and 39.27% respectively. Both the Group's total revenue from sales of goods and services to its largest and five largest customers accounted for less than 30%.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

FIXED ASSETS

Details of the movement of fixed assets of the Group during the year are set out in note 4(13) to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 8 to 12 of the annual report.

INVESTMENT PROPERTIES

Details of the movement of investment properties of the Group during the year are set out in note 4(12) to the consolidated financial statements.

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

Save as disclosed below in paragraph headed "Share Capital" and "Long Term Incentive Fund Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

LONG TERM INCENTIVE FUND SCHEME

As approved by the extraordinary general meeting held on 27 September 2007, amended by the extraordinary general meeting held on 25 September 2009, 2013 annual general meeting held on 14 March 2014 and extraordinary general meeting held on 24 February 2018 the Company had adopted the long term incentive fund scheme (the "Scheme") which. The Scheme is proposed to encourage the senior management and core staff members of the Company for closer ties of their personal interests with the interests of the Company and of the shareholders, as well as for alignment of their personal goals with the common goal of the Company.

As at 31 December 2017, the Company had not purchased any shares of the Company under the Scheme.

DEBENTURES

Details of the debentures issued by the Company and subsidiaries of the Company during the year are set out in note 4(29) to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

As of 31 December 2017, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

DIRECTORS AND SUPERVISORS

The directors and supervisors for the year are as follows:

Directors

Non-Executive Director

Mr. Li Songping (*Chairman*)

Executive Directors

Mr. Tang Jun (*President*)

Mr. Li Xiaobin (*Appointed on 27 June 2017*)

Non-Executive Directors

Mr. Su Zhaohui (*Appointed on 31 October 2017*)

Mr. Sun Shaolin

Mr. Su Jian

Ms. Sun Baojie (*Resigned on 31 October 2017*)

Mr. Yang Weibin (*Resigned on 27 June 2017*)

DIRECTORS AND SUPERVISORS *(Continued)*

Directors *(Continued)*

Independent Non-Executive Directors

Mr. Li Wang

Mr. Wong Yik Chung, John

Mr. Liu Xin *(Appointed on 5 December 2017)*

Mr. Wang Hong *(Resigned on 4 December 2017)*

Supervisors

Mr. Li Zhang

Ms. Tang Yanan

Mr. Jiang Hebin

The biographical details of directors, supervisors and senior management are set out on pages 50 to 56 of the annual report.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE EMOLUMENTS

Details of directors, supervisors and chief executive emoluments are set out in note 9(8) to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

Details of the five individuals with the highest remuneration of the Group during the year are set out note 9(9) of the consolidated financial statements.

MANAGEMENT CONTRACTS

Except for the connected transactions as stated in this report, no contract 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.

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2017, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Apart from service contracts in relation to the Company's business, no contract of significance to which the Company, its holding company, any of its subsidiaries or its fellow subsidiaries was a party, and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2)(b) of the Listing Rules, the Company discloses that during the year and up to the date of this report, the following directors of the Company are also directors of Capital Grand:

Name of Director	Position held in BC Grand
Sun Shaolin	non-executive Director
Su Jian	non-executive Director

Capital Grand is a listed subsidiary of the Company, which is principally engaged in commercial property development, with a focus on the development of outlets-backed commercial integrated projects and commercial property projects in the PRC. As the board of directors of the Company operates independently of the board of Capital Grand, the Company operates its business independently of, and at arm's length from, the businesses of Capital Grand.

Non-competition undertaking between the Company and Capital Grand

On 28 June 2016, the Company and Capital Grand entered into an Amended Non-Competition Deed, pursuant to which the Company and Capital Grand delineated businesses by cities and business features, details of which are set out in the circular of the Company dated 30 June 2016. Capital Grand is a listed subsidiary of the Company and it principally engaged in commercial property development, with focus on the development of outlets-backed commercial integrated projects and commercial property project in selected cities in the PRC.

The Company has delivered a letter in respect of the land bidding to Capital Grand indicating its successful bidding on the land use rights of the Linping New Town project in Hangzhou ("Hangzhou Project"). The bidding required the land is used for residential purpose and currently it is vacant and not under construction or development. The Company remains the option open on the mode of development for the land, which can be developed by Capital Grand, or to be developed jointly by the Company and Capital Grand or with a third party. No cooperation agreement, joint venture agreement or capital injection agreement has been executed by the Company in respect of the Hangzhou Project. Hangzhou is one of the target cities within the development area of Capital Grand.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS *(Continued)*

Non-competition undertaking between the Company and Capital Grand *(Continued)*

The Board of Capital Grand, including the independent directors, have reviewed the information of the Hangzhou Project and taken account of various factors including its strategic position, the development plan in Hangzhou and overall funding requirements etc. After several discussions, the board of Capital Grand considered the Hangzhou Project is not in line with the objective and direction of its current development based on the commercial considerations. Moreover, given the business features and geographic location of the Hangzhou Project, there is no competition between the Company and the Outlets business of Capital Grand in Hangzhou, Capital Grand delivered a letter to the Company and indicated that an unanimous decision was made among all members of the Board (other than those who hold the director positions in both the Company and Beijing Capital Group or relative directors of the management were abstained from the meeting) that Capital Grand will not develop or involve in the Hangzhou Project and it agrees the Company to develop the project or jointly develop with a third party.

Moreover, the Company confirms that it has complied with the non-competition undertaking under the Amended Non-Competition Deed during the year of 2017.

SHARE CAPITAL

As at 31 December 2017, there was a total issued share capital of 3,027,960,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares	1,649,205,700	54.47%
Non-H Foreign Shares	357,998,300	11.82%
H Shares	1,020,756,000	33.71%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2017, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Beijing Capital Group Co., Ltd. ("Capital Group")	1,649,205,700 (Note 1)	Non-listed Shares	82.17 (long position)	-	82.17	54.47 (long position)	-	54.47
Beijing Rongtong Zhenghe Investment Management Co., Ltd.	357,998,300 (Notes 1 and 2)	Non-listed Shares	-	17.83 (long position)	17.83	-	11.82 (long position)	11.82
Guoda Limited	357,998,300 (Note 3)	Non-listed Shares	-	17.83 (long position)	17.83	-	11.82 (long position)	11.82
China Resource Products Limited	357,998,300 (Note 4)	Non-listed Shares	13.71 (long position)	4.12 (long position)	17.83	9.09 (long position)	2.73 (long position)	11.82
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	4.12 (long position)	-	4.12	2.73 (long position)	-	2.73
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	-	16.17	5.45 (long position)	-	5.45
Recosia China Pte Ltd.	165,070,000 (Note 5)	H Shares	-	16.17 (long position)	16.17	-	5.45 (long position)	5.45
Recosia Pte Ltd.	165,070,000 (Note 6)	H Shares	-	16.17 (long position)	16.17	-	5.45 (long position)	5.45
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 (Note 7)	H Shares	-	16.17 (long position)	16.17	-	5.45 (long position)	5.45

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES *(Continued)*

Notes:

1. 1,649,205,700 Shares are directly held by Capital Group. As at 31 December 2017, China Resource Products Limited is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company (北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly, Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO.
2. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited and China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
3. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resources Products Limited and Yieldwell International Enterprise Limited.
4. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Yieldwell International Enterprise Limited.
5. 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited.
6. 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
7. 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31 December 2017, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DESIGNATED DEPOSIT AND DUE FIXED DEPOSIT

As at 31 December 2017, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31 December 2017, the Group had 2,224 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund.

The Group has also adopted, and was subsequently amended in 2018, the Long Term Incentive Fund Scheme, details of which have been disclosed in the circular dated 7 February 2018 and approved in the Extraordinary General Meeting held on 24 February 2018.

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CONNECTED TRANSACTIONS

- (a) On 21 September 2017, the Company entered into certain underwriting agreements with Capital Securities Company Limited* (首創證券有限責任公司) ("Capital Securities"), a subsidiary of Capital Group, the controlling shareholder of the Company and a connected person of the Company), China International Capital Corporation Limited (中國國際金融股份有限公司), China Securities Co., Ltd. (中信建投證券股份有限公司) and Haitong Securities Co., Ltd.* (海通證券股份有限公司) in relation to the Company's proposed issue of the Domestic Corporate Bonds (as defined in the relevant announcement) in the PRC, with an aggregate principal amount of not more than RMB10 billion in one or more tranches to be listed for trading on the Shanghai Stock Exchange. Among them, the underwriting fee paid to Capital Securities does not exceed RMB40 million. Details of which have been disclosed in the announcement dated 21 September 2017.
- (b) On 22 December 2017, Beijing Kai Yuan He An Investment Management Company Limited* (北京開元和安投資管理有限公司) ("Beijing Kai Yuan", a wholly-owned subsidiary of the Company) as the purchaser, the Company, Capital Chaoyang Real Estate Development Company Limited* (首創朝陽房地產發展有限公司) (a wholly-owned subsidiary of the Company), Reco Yanshan Private Limited, Bantex Investments Limited, Beijing Tian Cheng Yong Yuan Real Estate Company Limited* (北京天城永元置業有限公司) ("Beijing Tian Cheng", a non wholly-owned subsidiary of the Company) as the vendor and BECL Investment Holding Limited (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement and supplemental agreement pursuant to which, among others, Beijing Kai Yuan agreed to acquire and Beijing Tian Cheng agreed to sell the Property (as defined in the relevant announcement) located in Feng Tai District, Beijing, the PRC for a total consideration of RMB1,316,020,000 in cash. Details of which have been disclosed in the announcement dated 22 December 2017.

CONTINUING CONNECTED TRANSACTIONS

- (a) On 3 June 2016, the Company announced that the acquisition of equity interest in Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) ("Donghuan Xinrong") at a consideration of RMB1,297,830,000 and the shareholders' loan in the amount of approximately RMB269,412,000 has been completed. Donghuan Xinrong is a company established in the PRC with limited liability and is primarily engaged in the property management and leasing of offices in Capital Building (首創大廈). Prior to completion, Donghuan Xinrong and Capital Group and its subsidiaries have entered into certain lease agreements, pursuant to which Donghuan Xinrong has agreed to lease certain units in Capital Building to Capital Group and its subsidiaries. Upon completion of the acquisition, Donghuan Xinrong became a wholly-owned subsidiary of the Company, and therefore, the transactions contemplated under the lease agreements constitute continuing connected transactions of the Company. The proposed annual caps for the transactions under the lease agreements for the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 were estimated to be RMB10,274,000, RMB11,301,400 and RMB12,431,540 respectively. Details of which have been disclosed in the announcements dated 3 June 2016 and 27 January 2017.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

- (b) On 10 February 2017, the Company, Capital Securities (a subsidiary of Capital Group, the controlling shareholder of the Company and a connected person of the Company) and the Bank of Communications Corporation Limited (Beijing Branch) (the "Custodian Bank") entered into an asset management agreement, pursuant to which, among others, Capital Securities shall manage and invest the entrusted assets of an amount up to RMB350,000,000 of the Company for a term of three years commencing from the date of the initial Entrusted Assets (as defined in the relevant announcement) being deposited pursuant to the asset management agreement. Pursuant to the asset management agreement, the maximum daily balance managed by Capital Securities (including any accrued investment returns), being the annual caps for the Entrusted Assets, shall not exceed RMB350,000,000 for each of the financial year ending 31 December 2017, 31 December 2018 and 31 December 2019. Capital Securities shall receive the Performance Fee (as defined in the relevant announcement) in return and the annual caps for the Performance Fee payable by the Company to Capital Securities for each of the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 shall be RMB6,510,000, respectively. Details of which have been disclosed in the announcement dated 10 February 2017.
- (c) Reference is made to the continuing connected transaction described in paragraph (b) above. On 20 February 2017, the Company, Capital Securities and the Custodian Bank entered into a supplemental agreement, pursuant to which, among others, the maximum amount of the Entrusted Assets (as defined in the relevant announcement) was revised to a maximum amount of up to RMB2,000,000,000. Pursuant to the supplemental agreement, the maximum daily balance managed by Capital Securities (including any accrued investment returns), being the annual caps for the Entrusted Assets shall be RMB2,000,000,000 for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and the period from 1 January 2020 to 15 February 2020., The annual caps for the Performance Fee (as defined in the relevant announcement) payable by the Company to Capital Securities for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and the period from 1 January 2020 to 15 February 2020 shall be RMB32,105,000, RMB37,200,000, RMB37,200,000 and RMB4,689,000 respectively. Details of which have been disclosed in the announcements dated 20 February 2017, 13 March 2017, 7 April 2017 and 13 April 2017 and the circular dated 4 May 2017.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions (a) were in the ordinary and usual course of business of the Group; (b) were undertaken on normal commercial terms or better terms; and that (c) the relevant transaction agreements were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole and such transactions have been carried out in accordance with the agreements and the pricing policies governing the transactions.

Pursuant to Rule 14A.56 of the Listing Rules, the Board of Directors has engaged the auditor of the Company to conduct an examination of the above continuing connected transactions between Capital Securities and the Company for the year ended 31 December 2017. The auditor has issued a letter setting out their conclusion of the continuing connected transactions of the Group disclosed above and it is concluded that they have not identified any matter that shows non-compliance with the Rule 14A.56 of the Listing Rules. The Board further wishes to add that the auditor of the Company has confirmed that the Continuing Connected Transactions (i) were approved by the Board; (ii) were conducted pursuant to the pricing policies and the relevant agreements entered into; and (iii) were undertaken without caps being exceeded.

The Company confirms that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the transactions set out above.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

On 10 August 2015, the Company and Capital Group entered into a subscription agreement, pursuant to which Capital Group subscribed 1 billion new domestic shares of the Company in cash at a subscription price of RMB3.08 per share. The fund raising was completed on 22 October 2015, with net proceeds amounting to RMB3,068 million in aggregate after deducting the issuance expenses.

According to the circular regarding the private issue of domestic shares of the Company dated 11 September 2015, approximately RMB1,342 million out of the proceeds was intended to be applied to investment into the three projects in the Beijing-Tianjin area, namely Phase I of Wuqing Project, Xanadu Building No. 5 Project and Shijingshan Project; approximately RMB1,116 million to be applied to investment and development of potential projects on the near future; and the remaining proceeds, representing approximately 20% of the total net proceeds, to be applied to enhance general working capital of the Company. As at 31 December 2017, the net proceeds were utilised for the following purposes:

The use of proceeds from the private issue of domestic shares in 2017 Unit: (RMB'million)

Intended use of proceeds as set out in the circular	Intended amounts to be utilized as set out in the circular	Actual amounts intended to be utilized (Note 1)	Actual amounts utilized as at 31 December 2017	Amounts not yet utilized as at 31 December 2017 (Note 2)
Phase I of Wuqing Project	313.5	313.5	313.5	–
Xanadu Building No. 5 Project	519.3	519.3	1.3	518.0
Shijingshan Project	510.1	510.1	510.1	–
Enhancement of general working capital	614.1	609.0	609.0	–
Investment and development of potential projects	1,116.0	1,116.0	–	1,116.0

Note 1: As mentioned in the circular regarding the private issue of domestic shares of the Company in 2015, approximately RMB3,073 million out of the gross proceeds after deducting the estimated issuance expenses was expected to be utilized for the aforesaid projects. On 22 October 2015, the fund raising was completed, with the actual proceeds amounting to RMB3,068 million in aggregate after deducting the issuance expenses.

Note 2: As at 31 December 2017, the unutilized proceeds of the Company was deposited into the bank account opened with the Company. The remaining proceeds will be utilized according to the use of proceeds disclosed in the circular and the actual development plan of projects.

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 4(28) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and related laws which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUBSIDIARIES

Details of the Company's significant subsidiaries are set out in note 6(1) to the consolidated financial statements.

POLICIES ON INCOME TAX

The Company and its subsidiaries paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 70 to 83.

The Board has, among other things, reviewed the training and continuous professional development of Directors, the Company's compliance with the respective code provisions of the CG Code for the year ended 31 December 2017 and made disclosures in this Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the directors of the Company (whether made by the company or otherwise) or an associated company (if made by the Company).

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers Zhong Tian LLP, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Li Songping

Chairman

Hong Kong, 26 February 2018

CORPORATE GOVERNANCE REPORT

The Company is firmly committed to maintaining high standards of corporate governance and continues to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the development of the Company, in its internal management, financial management, balance of business risk and protection of shareholders' and stakeholders' rights and enhancement of shareholder value.

It has been the Company's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management.
- Sound corporate governance may also promote communication with external parties, such that investors can appreciate more of the Company's development potential and future prospects, to comprehend investment value of the Company.
- The procedures and systems under sound corporate governance can improve operation efficiency of the Group, such that all divisions or departments can contribute to enhance performance of the Group through close and intimate communication.

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in the year ended 31 December 2017.

Code provision A.4.2 of the Corporate Governance Code stipulates that every director, including a designated director, should retire from office by rotation at least once every three years. Pursuant to Article 10.2 of the Articles of Association of the Company, the directors are elected at the general meeting for a term of three years commencing from the date of election.

As stated in the announcement of the Company dated 17 November 2017, the term of the fifth session of the Board of the Company commenced on 5 December 2014 and expired on 4 December 2017. However, the nomination of candidates for directors of the Company's new board of directors failed to be completed by 4 December 2017, therefore, the general election of the Board of Directors failed to take place at the expiration of the three-year term. Prior to the completion of the general election for the new term of the Board of Directors, all existing members of the fifth session of the Board of Directors will continue to perform their roles and responsibilities in accordance with the applicable laws, administrative regulations and the Articles of Association until the completion of the new term of the new session of the Board of Directors. Accordingly, Mr. Tang Jun (President) and Mr. Li Wang (independent non-executive Director) have been in office for more than three years and therefore have not fully complied with the requirements of A.4.2 of the Corporate Governance Code. The Company will complete the general election of the Board of Directors as soon as possible and therefore the Board considers that such non-compliance will have no impact on the corporate governance of the Company.

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code.

The status and details of the Company's corporate governance practices are set out below.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions (the "Model Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry made by the Group that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises 9 Directors, including two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 50 to 53 under the section of Biographical Details of Directors, Supervisors and Senior Management. The majority of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

The Board held four physical Board meetings in 2017. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2017:

	Number of attendance/ Number of meeting
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>)	4/4
<i>Executive Directors</i>	
Mr. Tang Jun (<i>President</i>)	4/4
Mr. Li Xiaobin (<i>Appointed on 27 June 2017</i>)	2/2
<i>Non-Executive Directors</i>	
Mr. Su Zhaohui (<i>Appointed on 31 October 2017</i>)	0/0
Mr. Sun Shaolin	4/4
Mr. Su Jian	4/4
Ms. Sun Baojie (<i>Resigned on 31 October 2017</i>)	4/4
Mr. Yang Weibin (<i>Resigned on 27 June 2017</i>)	2/2
<i>Independent Non-Executive Directors</i>	
Mr. Li Wang	4/4
Mr. Wong Yik Chung, John	4/4
Mr. Liu Xin (<i>Appointed on 5 December 2017</i>)	0/0
Mr. Wang Hong (<i>Resigned on 4 December 2017</i>)	4/4

RESPONSIBILITIES OF DIRECTORS

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board maintains and promotes successful business development of the Group and endeavours to enhance shareholder value. The Board is under the leadership of the Chairman and each director makes decisions objectively in the overall interests of the Group. Control and day to day operation of the Company is delegated to the President and the management of the Company.

The Directors are aware of their collective and individual responsibilities to the Company and its shareholders for the manner in which the affairs of the Company are managed, controlled and operated. In general, the types of decisions which are to be taken by the Board in accordance with the Company's article of associations are as follows:

1. Power of managing the development strategy and plan of the Company:
 - (1) those requiring approval from the shareholders' general meeting:
 1. formulation of the middle to long-term development objectives and strategy of the Company;
 2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
 3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
 4. formulation of plans for the increase of share capital and issue of additional shares;
 5. formulation of proposals for the merger, separation and dismissal of the Company;
 6. tendering insolvency petition of the Company;
 7. formulation of amendment proposal to the Company's articles of association;
 8. formulation of proposals for the change of use of proceeds from the issue of shares.
 - (2) those that may be exercised by the Board at its discretion:
 1. resolution on proposals to improve the operation management and operating results of the Company;
 2. resolution on the operating plans, audit plans and investment plans of the Company;
 3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
 4. resolution on the establishment of committees and the appointment and removal of their members;
 5. resolution on investment plans falling within the scope of authority of the Board;
 6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Company's articles of association or the rules set out herein.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

2. Power of personnel management on senior officers of the Company:
 - (1) those requiring approval from the shareholders' general meeting:
 1. formulation of director allowance and incentive schemes such as share option or warrant (or similar schemes) of the Company;
 2. assessment and consideration of the eligibility of candidates for election as directors or independent directors;
 3. proposing for the removal of a director.
 - (2) those that may be exercised by the Board at its discretion:
 1. resolution on the strategy and plan of human resources development and deployment;
 2. definition of the major duties and authorities of the general manager, responsible person for financial matters, secretary to the Board and the auditing department;
 3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;
 4. evaluation of the work performance of the general manager;
 5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;
 6. approval of the plan of staff provident fund and other staff benefit plans.
3. Power of supervision and inspection of the development and operation of the Company:
 - (1) supervision of the implementation of the Company's development strategy;
 - (2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
 - (3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;
 - (4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;
 - (5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;
 - (6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;
 - (7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness;
 - (8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

The appointment of new Directors will be considered by the Nomination Committee (duties of the Nomination Committee is set out in the latter part of this report) and decided by all members of the Board. Candidates to be selected and recommended are experienced, high caliber individuals who meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

The Board has established a Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director(s) to discharge his/their duties to the Group.

There is in place a directors and senior executive liabilities insurance cover in respect of legal action against directors and senior executives.

For the year ended 31 December 2017, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31 December 2017 are disclosed in the Directors' Report on page 61 of this annual report.

There is no relationship among members of the Board and in particular, between the Chairman and the President.

Directors should keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to the Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Since 1 April 2012, the Company prepares monthly operation updates to all directors to enable them to aware the Company's latest business development, competition and supervisory environment and provide other relevant information that may affect the Company and the real estate sector so as to strengthen the directors understanding of the business and the market.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

During the year 2017, the Directors also participated in the following trainings:

	Types of training
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>)	A/B/C
<i>Executive Directors</i>	
Mr. Tang Jun (<i>President</i>)	A/C
Mr. Li Xiaobin (<i>Appointed on 27 June 2017</i>)	A/C
<i>Non-Executive Directors</i>	
Mr. Su Zhaohui (<i>Appointed on 31 October 2017</i>)	A/C
Mr. Sun Shaolin	A/C
Mr. Su Jian	A/C
Ms. Sun Baojie (<i>Resigned on 31 October 2017</i>)	A/C
Mr. Yang Weibin (<i>Resigned on 27 June 2017</i>)	A/C
<i>Independent Non-Executive Directors</i>	
Mr. Li Wang	A/C
Mr. Wong Yik Chung, John	A/C
Mr. Liu Xin (<i>Appointed on 5 December 2017</i>)	A/C
Mr. Wang Hong (<i>Resigned on 4 December 2017</i>)	A/C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals and updates relating to the economy, general business, real estate or director's duties and responsibilities, etc.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

CHAIRMAN AND PRESIDENT

The Chairman and President are held separately by Mr. Li Songping and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to lead the Board and the President's responsibility to manage the Company's business.

BOARD COMMITTEES

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee to strengthen its functions and corporate governance practices. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific duties in accordance with their respective written terms of reference. The Strategic Committee assists the Group in corporate strategy, business development and operation.

AUDIT COMMITTEE

The Group's Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Wong Yik Chung, John (Chairman), Mr. Li Wang and Mr. Liu Xin. The committee members performed their duties within written terms of reference formulated by the Company which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. Major duties include:

- to review the financial controls, internal control and risk management systems of the Group.
- to monitor the integrity of financial statements of the Company, the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approve those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:
 - make recommendations to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;
 - review and monitor the independence and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;
 - develop and implement policy on engaging external auditors for the provision of non-audit services, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

The Audit Committee's procedural rules are posted on the websites of the Company and HKEX.

During the year under review, the Audit Committee held two physical meetings and approved thirteen Audit Committee written resolutions. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2016 and for the six months ended 30 June 2017, considered and approved the work of the auditors, reviewed the business and financial performance of the Company, and review and made recommendation to the Board for the connected transactions of the Company.

AUDIT COMMITTEE *(Continued)*

Attendance of individual members at Audit Committee meetings in 2017:

	Number of Attendance/ Number of Meeting
Mr. Wong Yik Chung, John	2/2
Mr. Li Wang	2/2
Mr. Liu Xin <i>(Appointed on 5 December 2017)</i>	0/0
Mr. Wang Hong <i>(Resigned on 4 December 2017)</i>	2/2

The Group's results for the year ended 31 December 2017 have been reviewed by the Audit Committee with a recommendation to the Board for approval.

NOMINATION COMMITTEE

The Group's Nomination Committee is responsible for review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. It is also responsible for making recommendations to the Board on relevant matters relating to the appointment or re-appointment of the Company's directors, supervisors and senior executives, and reviewing the succession planning for directors in particular executive directors and senior executives. Majority members of the Nomination Committee are Independent Non-executive Directors. It is chaired by Mr. Liu Xin with two other members, namely, Mr. Li Songping and Mr. Wong Yik Chung, John.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time.

During the year under review, the Nomination Committee held one physical meeting, and approved five Nomination Committee written resolutions for annual review of the current Board structure (include the size and composition), assessment of the independence of independent non-executive directors, and made recommendation to the Board for the appointment of Mr. Li Xiaobin as an executive director, the appointment of Mr. Su Zhaohui as a non-executive director, and the appointment of Mr. Lin Xin as independent non-executive director.

The Nomination Committee's procedural rules are posted on the websites of the Company and HKEX.

Attendance of individual members at Nomination Committee meeting in 2017:

	Number of Attendance/ Number of Meeting
Mr. Liu Xin <i>(Appointed on 5 December 2017)</i>	0/0
Mr. Li Songping	1/1
Mr. Wong Yik Chung, John	1/1
Mr. Wang Hong <i>(Resigned on 4 December 2017)</i>	1/1

REMUNERATION COMMITTEE

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Liu Xin with two other members, namely, Mr. Sun Shaolin and Mr. Wang Yik Chung, John.

During the year under review, the Remuneration Committee held one physical meeting and approved one Remuneration Committee written resolution to review the remuneration of the directors, supervisors and senior management, the implementation and distribution scheme of Incentive Fund, the remuneration package of Mr. Lin Xin (as the Independent Non-executive Director) and other relevant matters, and made recommendation to the board.

The Remuneration Committee's procedural rules are posted on the websites of the Company and HKEX.

Attendance of individual members at Remuneration Committee meeting in 2017:

	Number of Attendance/ Number of Meeting
Mr. Liu Xin (<i>Appointed on 5 December 2017</i>)	0/0
Mr. Sun Shaolin	1/1
Mr. Wong Yik Chung, John	1/1
Mr. Wang Hong (<i>Resigned on 4 December 2017</i>)	1/1

Major written terms of reference of the remuneration system of the directors and supervisors of the Company are set out below:

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- No one is allowed to determine his or her own remunerations;
- The remuneration levels should tally with the Company's competitors in the human resources market;
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years.

REMUNERATION COMMITTEE *(Continued)*

3. Executive Directors

Components of Remuneration

The Company determines the remunerations of the executive directors by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards.

The Company does not adopt any share option scheme.

No director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

STRATEGIC COMMITTEE

The main function of the Group's Strategic Committee is to study and advise on the Group's long-term development strategies and major investment decision. The Strategic Committee undertakes to review and adjust the strategies of the Company. It is composed of Mr. Li Songping as Chairman and Mr. Tang Jun and Mr. Liu Xin as members of the committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is primarily responsible for performing the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the 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 applicable to employees and the Directors; and
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Board performed the following corporate governance matters:

- review of the effectiveness of the internal controls and risk management systems of the Company;
- to amend the Company's Corporate Governance Code and practices and to make recommendations;

INTERNAL AND RISK CONTROLS

With the continuous efforts of the Board, management and all staff, the Company has established a more comprehensive and effective internal control system and prepared a “BCL’s Internal Controls Manual (首創置業內控手冊)” so as to safeguard the corporate operating management regulations, asset security, financial reporting and the fairness, accuracy and completeness of the relevant information in a rational manner.

1. For the internal condition, the Company has formulated a clear strategic plan, established the corporate culture of “five-colour-flower” with distinct BCL characteristics and promoted the overall awareness of risk management.
2. For the risk management, the Company has expressed our continued concern on the changes in internal and external situations and conducted various risk assessment on an ongoing basis so as to establish a BCL’s database meeting our business requirement and facilitating the actual operation.
3. For the control activities, the Company has established a better business process system and included the risk control points into our business process so as to realise the implementation of risk management.
4. For the information and communication, the Company has established an industry-leading Enterprise Resource Planning (ERP), covering financial, human resources, overall cost management, business management and overall budgeting management etc., which generally enhanced the corporate internal controls through informationisation and promoted the implementation of business process.
5. For the internal controls, the Company has established an internal control functional structure, of which divided into three classes from top to bottom and formed three lines of defense for the risk controls, including three aspects such as self-supervision of the Company, operational supervision of the headquarters operations centre and auditing supervision of risk control centre, as well as covering the whole chain of the Company’s business to ensure overall supervision.

The Risk Control Centre has submitted its report to the audit committee. The audit committee and the Board consider that the risk management and internal control system of the Company operates smoothly.

EXTERNAL AUDITORS

The Board agreed with the Audit Committee’s proposal for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the Group’s external auditors. The recommendation will be put forward for the approval of shareholders at the forthcoming Annual General Meeting.

The Group has established a Policy on Appointment of External Auditor in providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The amount of fee payable to PricewaterhouseCoopers Zhong Tian LLP and other PwC firms for providing audit services and audit related services and non-audit services for the year ended 31 December 2017 amounted to RMB10,425,000 and RMB5,251,000 respectively. The amount of fee payable to other audit firms for providing audit services and audit related services for the year ended 31 December 2017 amounted to RMB1,497,000 and RMB3,741,000 respectively.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. For the year under review, the Company Secretary has confirmed that he has undertaken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHT

According to the articles of association of the Company, when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to laws and regulations and the Company's articles of association.

The Group communicates with its shareholders through different channels, including annual general meetings, extraordinary general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the Stock Exchange.

The Company's website provides shareholders with corporate information, such as principal business activities, major property projects and the latest development of the Group. Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

SHAREHOLDERS' RIGHT *(Continued)*

The Company regards annual general meeting as an important event in the corporate year and all Directors and senior management should make an effort to attend. The Company's annual general meeting allows the Directors to meet and communicate with the shareholders. The chairman of the annual general meeting proposes separate resolution for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor should attend the annual general meeting to answer questions from shareholders. The 2016 annual general meeting was held on 20 April 2017. During the year, the Company held 8 extraordinary general meetings. The attendance records of the Directors at the general meetings are set out below:

	AGM and EGM attended/held
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>)	1/9
<i>Executive Directors</i>	
Mr. Tang Jun (<i>President</i>)	9/9
Mr. Li Xiaobin (<i>Appointed on 27 June 2017</i>)	0/5
<i>Non-Executive Directors</i>	
Mr. Su Zhaohui (<i>Appointed on 31 October 2017</i>)	0/2
Mr. Sun Shaolin	0/9
Mr. Su Jian	0/9
Ms. Sun Baojie (<i>Resigned on 31 October 2017</i>)	0/7
Mr. Yang Weibin (<i>Resigned on 27 June 2017</i>)	0/4
<i>Independent Non-Executive Directors</i>	
Mr. Li Wang	0/9
Mr. Wong Yik Chung, John	1/9
Mr. Liu Xin (<i>Appointed on 5 December 2017</i>)	0/0
Mr. Wang Hong (<i>Resigned on 4 December 2017</i>)	1/9

CONSTITUTIONAL DOCUMENTS

Amendments of the Company's Articles of Association to reflect the changes of the registered address of the Company and the update of the business license number was duly passed by way of special resolution on the extraordinary general meeting held on 4 December 2017. Details of which is disclosed in the circular dated 17 November 2017. The latest Articles of Association is posted on the websites of the Company and HKEX.

INVESTOR RELATIONS

The Group has always upheld its policy of open communication and fair disclosure. The Group believes that the completeness and timeliness of information disclosure is essential for building market confidence and places much effort in maintaining interactive communications with shareholders and investors and is open-minded to the investment community. As such, the Group has established an Investor Relations Department, which is responsible for maintaining close communications with shareholders and investors.

The Group has issued a regular newsletter on a continuing basis since March 2009, the newsletter set out the latest project development and sales performance of the Group. The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for downloading from the Group's website at <http://www.bjcapitalland.com>. During the year, the Company also launched official investor relation WeChat channel for investors' subscription, so that investor can receive up-to-date news of the Group in advance.

By timely information disclosure and organizing regular meetings for the management to communicate with media, it facilitates investors' further understanding of the Group's business development while at the same time enables the management to fully realise the opinion and expectation of the investment community of the Group's future development.

In addition to press conference and analysts' meeting held after results announcement, the Group's management held regular meetings with securities analysts and investors, and participated in a number of large-scale investment conferences and presentations. These allow shareholders and investors to have better understanding of the Group's development potential and future prospects, facilitating their comprehension of the Group's investment value.

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Li Songping

Chairman

Hong Kong, 26 February 2018

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2017, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended the meetings of the Board of Directors and the General Meetings to strictly and effectively monitor the Company's management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company and its shareholders. It also provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual General Meeting. The Supervisory Committee is satisfied that the Directors, general manager and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Accounting Standards for Business Enterprises and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2017 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Li Zhang

Chairman of the Supervisory Committee

Hong Kong, 26 February 2018

AUDITOR'S REPORT

PwC ZT Shen Zi (2018) No. 15001

To the Shareholders of Beijing Capital Land Ltd.,

OPINION

What we have audited

We have audited the accompanying financial statements of Beijing Capital Land Ltd. (hereinafter "BCL"), which comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of BCL as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of BCL in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Goodwill impairment

Key audit matters	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to note 2(15), note 2(32)(a)(vi) and note 4(12) to the consolidated financial statements for the disclosure of investment properties for BCL. BCL adopts the fair value model for subsequent measurement of investment properties. As at 31 December 2017, investment properties measured at fair value amounted to RMB17,019,741,000 and fair value gains on investment properties for the year then ended were RMB273,983,000. The fair value was determined based on the valuation performed by an independent professional valuer (the “valuer”) as a third party engaged by BCL.</p> <p>The valuations of investment properties’ fair value involved critical accounting estimates and judgements, which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation techniques usually include income capitalisation approach and residual approach based on the construction status of each property. The inputs adopted in income capitalisation approach and residual approach usually include market rental prices and their growth rates and discount rates; Furthermore, residual approach also involves inputs of estimated profit margin rates and development costs to complete.</p> <p>Considering the above mentioned critical accounting estimates and judgements, and the significant impact on the consolidated financial statements, we paid specific attention to this matter in our audit.</p>	<p>We assessed the competence, professional capability and objectivity of the valuer.</p> <p>We communicated with the management of BCL about the valuation techniques adopted for each investment property, obtained and read the valuation reports for all the investment properties measured at fair value delivered by the valuer, and assessed the relevance and reasonableness of valuation techniques used by the valuer in consideration of the actual construction or operation status.</p> <p>We selected some of the investment properties measured at fair value by sampling and performed the following procedures:</p> <p>We assessed the reasonableness of key inputs used to determine the value after completion under income capitalisation approach and residual approach, such as market rental prices and their growth rates and discount rates, by comparing the market rental prices and their growth rates with comparative cases in active markets and the information of the rental prices in management’s records, and by comparing the discount rates with the average discount rates in the industry.</p> <p>We assessed the reasonableness of key inputs used under residual approach, such as estimated profit margin rates and development costs to complete, by comparing the estimated profit margin rates with the average profit margin rates in the industry and by comparing the development costs to complete with management’s budgets.</p> <p>Based on the above, we obtained supportive evidence for critical accounting estimates and judgements made by management on the valuation techniques and key inputs used in the valuations of investment properties.</p>

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the Key Audit Matter
<p>Goodwill impairment</p> <p>Refer to note 2(19) and note 4(15) to the financial statements for the disclosure of goodwill for BCL.</p> <p>Goodwill amounted to RMB172,137,000 was generated from the acquisition of 65.1% equity interests in Beijing Capital Grand Limited ("Capital Grand") by BCL in 2013. Capital Grand is engaged in outlets-backed integrated investment property, commercial property development and operations.</p> <p>BCL's management performs goodwill impairment test semi-annually. Considering the fall in stock price of Capital Grand and losses on changes in fair value of certain investment properties occurred during the first half year of 2017, BCL's management considered the existence of risk of impairment to the goodwill, and performed impairment test, and recognised provision for goodwill impairment amounted to RMB172,137,000 in the consolidated financial statements.</p> <p>Management allocated goodwill to the group of assets of investment properties and properties held for sale, and recognised impairment provision where the recoverable amount of the group of assets including allocated goodwill is lower than its book value. The key assumptions involved in assessing recoverable amounts include market prices, market rental prices and their growth rates, development costs to complete, expense rates and discount rates.</p> <p>Considering the above mentioned goodwill impairment test related to critical accounting estimates and judgements, and the significant impact on the consolidated financial statements, we paid specific attention to this matter in our audit.</p>	<p>We obtained management's impairment testing form of goodwill allocated to the group of assets of Capital Grand, assessed the reasonableness of method used to allocated the goodwill to related group of assets in consideration of the nature of the property and tested the mathematical accuracy of calculation.</p> <p>We performed below procedures to the analysis and calculation in the impairment testing form:</p> <p>We performed below procedures to the key assumptions used to determine the recoverable amount of the group of investment properties, such as market rental prices and their growth rates, expense rates and discount rates:</p> <p>Compared the market rental prices and their growth rates with comparative cases in active markets and the information of the rental prices in management's records;</p> <p>Compared the expense rates with historical data;</p> <p>Compared the discount rates with the average discount rates in the industry; and</p> <p>Compared development costs to complete with management's budgets.</p> <p>We performed below procedures to the key assumptions used to determine the recoverable amount of the group of properties held for sale, such as market prices and development costs to complete:</p> <p>Compared market prices with the historical data in management's record or market price of same type properties in the surrounding area;</p> <p>Compared development costs to complete with management's budgets.</p> <p>Based on the above, we obtained supportive evidence for the key assumptions used by management in goodwill impairment test.</p>

OTHER INFORMATION

Management of the Company is responsible for the other information. The other information comprises the information included in 2017 annual report of BCL, but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF MANAGEMENT AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management of BCL is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing BCL'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 management either intend to liquidate BCL or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing BCL's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

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

- 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 BCL's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 BCL'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 these 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 BCL to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 BCL 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 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the 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.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA Jing Chen (Engagement Partner)

Signing CPA Doudou Wang

Shanghai, the People's Republic of China

26 February 2018

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Assets	Note	31 December 2017 Consolidated	31 December 2016 Consolidated (Restated)	31 December 2017 Company	31 December 2016 Company
Current assets					
Cash at bank and on hand	4(1); 16(1)	21,038,178	17,926,073	6,866,030	7,106,099
Financial assets at fair value through profit and loss	4(2)(a)	73,844	217,141	73,844	–
Trade receivables	4(4); 16(2)	2,409,002	995,223	3,160	1,910
Advances to suppliers	4(6)	6,626,829	372,047	21,522	19,796
Interests receivable		468	30,581	26,235	26,235
Dividends receivable	4(3)	12,000	12,000	–	–
Other receivables	4(5); 16(3)	7,833,512	3,349,177	32,012,397	46,525,276
Inventories	4(7)	65,467,004	64,876,885	33,544	44,133
Assets classified as held-for-sale	4(8)	338,921	9,921	–	–
Current portion of non-current assets		5,175,724	3,957,937	–	–
Other current assets	4(9)	2,851,861	2,841,299	1,560	10,701
Total current assets		111,827,343	94,588,284	39,038,292	53,734,150
Non-current assets					
Available-for-sale financial assets	4(10); 16(4)	2,590,462	2,390,462	80,000	70,000
Long-term receivables	4(14); 16(5)	3,201,838	2,798,495	66,706	66,706
Long-term equity investments	4(11); 16(6)	4,481,354	3,078,429	5,535,809	4,996,783
Investment properties	4(12)	18,080,424	15,146,259	–	–
Fixed assets	4(13); 16(7)	152,297	134,630	52,672	54,676
Goodwill	4(15)	–	172,137	–	–
Long-term amortization expenses		108,935	100,940	–	–
Deferred income tax assets	4(16)	978,516	655,196	837,314	370,918
Other non-current assets	4(17)	–	394,808	–	–
Total non-current assets		29,593,826	24,871,356	6,572,501	5,559,083
Total Assets		141,421,169	119,459,640	45,610,793	59,293,233

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Liabilities and equity	Note	31 December 2017 Consolidated	31 December 2016 Consolidated (Restated)	31 December 2017 Company	31 December 2016 Company
Current liabilities					
Short-term borrowings	4(19)	1,831,743	1,909,327	1,329,000	1,670,000
Financial liabilities at fair value through profit or loss	4(2)(b)	235,605	–	–	–
Notes payables		67,694	26,223	–	–
Trade payables	4(20)	8,922,366	7,186,846	20,114	13,600
Advances from customers	4(21)	21,113,831	15,930,980	807	60,807
Employee benefits payable	4(22)	206,723	119,548	127,521	44,166
Taxes payable	4(23); 16(8)	2,853,624	2,232,093	24,942	22,548
Interests payable	4(24)	612,032	547,854	428,991	403,906
Dividends payable	4(25)	264,790	257,272	86,077	73,607
Other payables	4(26); 16(9)	6,143,919	4,888,089	2,796,492	16,415,765
Current portion of non-current liabilities	4(27)	23,793,041	14,967,002	15,214,894	6,074,182
Total current liabilities		66,045,368	48,065,234	20,028,838	24,778,581
Non-current liabilities					
Long-term borrowings	4(28); 16(10)	22,072,547	20,520,263	2,880,000	7,910,000
Debentures payable	4(29)	12,451,547	16,985,512	8,968,604	15,442,006
Long-term payables	4(30)	6,305,775	3,806,675	–	–
Deferred income tax liabilities	4(16)	2,475,827	2,352,530	–	–
Derivative financial liabilities	4(31)	138,572	178,724	–	–
Total non-current liabilities		43,444,268	43,843,704	11,848,604	23,352,006
Total liabilities		109,489,636	91,908,938	31,877,442	48,130,587
Equity					
Share capital	4(32)	3,027,960	3,027,960	3,027,960	3,027,960
Other equity instruments	16(11)	5,889,968	2,895,291	5,889,968	2,895,291
<i>Including: Perpetual bond</i>		<i>5,889,968</i>	<i>2,895,291</i>	<i>5,889,968</i>	<i>2,895,291</i>
Capital reserve	4(33); 16(12)	653,652	716,380	3,113,441	3,113,441
Other comprehensive income	4(34); 16(13)	413,159	370,407	9,407	9,407
Surplus reserve	4(35)	570,905	543,169	570,905	543,169
Retained earnings	4(36)	10,376,979	9,109,165	1,121,670	1,573,378
Total equity attributable to owners of the Company		20,932,623	16,662,372	13,733,351	11,162,646
Non-controlling interests		10,998,910	10,888,330	–	–
Total equity		31,931,533	27,550,702	13,733,351	11,162,646
Total liabilities and equity		141,421,169	119,459,640	45,610,793	59,293,233

The accompanying notes form an integral part of these financial statements

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Items	Note	2017 Consolidation	2016 Consolidation (Restated)	2017 Company	2016 Company
Revenue	4(37);16(14)	21,292,040	20,349,404	83,916	21,918
Less: Cost of sales	4(37);16(14)	(15,215,413)	(16,870,570)	(10,589)	-
Taxes and surcharges	4(38)	(1,262,260)	(1,435,007)	(17,524)	(7,678)
Selling and distribution expenses	4(40)	(555,507)	(624,959)	-	-
General and administrative expenses	4(40);16(16)	(743,866)	(464,252)	(292,547)	(108,099)
Financial (expenses)/income – net	4(39);16(15)	(33,736)	58,364	(1,466,043)	(1,385,741)
Asset impairment losses	4(43)	(257,606)	(772)	-	-
Add: (Losses)/gains arising from changes in fair value	4(41)	(111,082)	1,485,125	418	-
Investment income	4(42);16(17)	352,654	1,317,639	1,513,754	1,697,752
<i>Including: Share of profit of associates and joint ventures</i>		99,637	582,988	24,026	71,000
Gains from disposal of assets	4(45)	181,002	105	-	118
Other gains	4(44)	189,124	-	-	-
Operating profit/(loss)		3,835,350	3,815,077	(188,615)	218,270
Add: Non-operating income	4(46)	19,373	130,935	786	6,328
Less: Non-operating expenses	4(47)	(15,406)	(7,544)	(1,211)	(881)
Profit/(loss) before income tax		3,839,317	3,938,468	(189,040)	223,717
Less: Income tax expenses	4(48);16(18)	(1,042,520)	(1,074,474)	466,396	209,919
Profit for the year		2,796,797	2,863,994	277,356	433,636
<i>Including: The (loss)/profit of acquiree before combination under common control</i>		(3)	140,600	-	-
Classified by operating continuity					
Profit from continuing operations		2,796,797	2,863,994	277,356	433,636
Profit from discontinued operations		-	-	-	-
Classified by attributions of the ownership					
Attributable to non-controlling interests		684,217	846,436	N/A	N/A
Attributable to owners of the Company		2,112,580	2,017,558	N/A	N/A

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Items	Note	2017 Consolidation	2016 Consolidation (Restated)	2017 Company	2016 Company
Other comprehensive income for the year, net of tax	4(34), 16(13)	42,752	(167,134)	-	1,320
Attributable to owners of the Company		42,752	(167,134)	-	-
Items that may be reclassified to profit or loss		42,752	(167,134)	-	1,320
Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method		-	31,984	-	9,407
Changes in fair value of available-for-sale financial assets		-	(8,087)	-	(8,087)
Changes in fair value of investment properties transferred from inventories		773	4,435	-	-
Recycling of changes in fair value of investment properties previously recognized in other comprehensive income		(70,218)	(110,207)	-	-
Effective portion of cash flow hedges		112,521	(95,187)	-	-
Currency translation differences		(324)	9,928	-	-
Total comprehensive income for the year		2,839,549	2,696,860	277,356	434,956
Attributable to:					
- Owners of the Company		2,155,332	1,850,424	N/A	N/A
- Non-controlling interests		684,217	846,436	N/A	N/A
Earnings per share for profit attributable to owners of the Company	4(49)				
Basic earnings per share (RMB Yuan)		0.67	0.67	N/A	N/A
Diluted earnings per share (RMB Yuan)		0.67	0.67	N/A	N/A

The accompanying notes form an integral part of these financial statements

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Items	Note	2017 Consolidated	2016 Consolidated (Restated)	2017 Company	2016 Company
Cash flow from operating activities					
Cash received from sales of goods and rendering of services		23,365,221	23,253,355	14,259	5,462
Cash received relating to other operating activities	4(50)(a)	453,442	1,308,523	24,513,456	5,199,358
Sub-total of cash inflows		23,818,663	24,561,878	24,527,715	5,204,820
Cash paid for goods and services		(15,108,361)	(20,030,556)	–	–
Cash paid to and on behalf of employees		(863,116)	(652,765)	(94,774)	(94,774)
Payments of taxes and surcharges		(2,329,280)	(2,931,225)	(4,170)	(13,744)
Cash paid relating to other operating activities	4(50)(b)	(1,064,117)	(1,923,339)	(21,213,986)	(15,411,599)
Sub-total of cash outflows		(19,364,874)	(25,537,885)	(21,312,930)	(15,520,117)
Net cash flows generated from/(used in) operating activities	4(51); 16(19)	4,453,789	(976,007)	3,214,785	(10,315,297)
Cash flow from investing activities					
Cash received from refund of investments		3,880,738	351,000	3,200,000	–
Cash received from returns of investments		7,649	206,737	1,026,270	21,957
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		40,957	1,062	–	120
Net cash received from disposal of subsidiaries		21,007	723,157	–	1,247,802
Net cash received from acquisition of subsidiaries		–	29,622	–	–
Cash received relating to other investing activities	4(50)(c)	3,755,487	2,016,834	1,083,644	950,666
Sub-total of cash inflows		7,705,838	3,328,412	5,309,914	2,220,545
Cash paid to purchase fixed assets, intangible assets and other long-term assets		(2,487,976)	(1,347,843)	(316)	(703)
Cash paid to acquire investments		(3,500,258)	(442,890)	(3,750,000)	(2,072,242)
Net cash decrease for disposal of subsidiaries	5(3)(b)	(98,035)	(26,965)	–	–
Net cash received from acquisition of subsidiaries and other companies		(252,850)	–	–	–
Cash paid relating to other investing activities	4(50)(d)	(9,214,226)	(3,051,807)	(2,533,935)	(1,284,470)
Sub-total of cash outflows		(15,553,345)	(4,869,505)	(6,284,251)	(3,357,415)
Net cash flows used in investing activities		(7,847,507)	(1,541,093)	(974,337)	(1,136,870)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Items	Note	2017 Consolidated	2016 Consolidated (Restated)	2017 Company	2016 Company
Cash flow from financing activities					
Cash received from capital contributions		2,500	2,304,931	-	-
<i>Including:</i> Cash received from investments of the non-controlling interests		2,500	1,009,080	-	-
Cash received from ordinary shares and perpetual convertible securities issued by subsidiaries		-	1,295,851	-	-
Proceeds from other equity instruments issued by the Company	16(11)	3,100,000	3,000,000	3,100,000	3,000,000
Cash received from borrowings		13,490,395	9,686,240	782,679	2,669,000
Proceeds from bonds issued		4,221,862	9,962,723	-	9,962,723
Cash received relating to other financing activities	4(50)(e)	9,936,360	3,204,539	288,000	996,515
Sub-total of cash inflows		30,751,117	28,158,433	4,170,679	16,628,238
Cash repayments of borrowings		(13,770,784)	(14,978,727)	(4,309,000)	(3,020,000)
Cash payments for interests expenses and distribution of dividends or profit		(4,450,713)	(4,314,747)	(1,575,712)	(1,947,619)
Cash paid for repayments of specific assets management plan issued by subsidiaries		(1,200,000)	(1,730,000)	-	-
Cash paid for business combination involving enterprises under common control		(165,333)	(3,716,944)	-	-
Cash paid relating to other financing activities	4(50)(f)	(6,430,422)	(2,599,202)	(763,689)	(45,450)
Sub-total of cash outflows		(26,017,252)	(27,339,620)	(6,648,401)	(5,013,069)
Net cash flows generated from/(used in) financing activities		4,733,865	818,813	(2,477,722)	11,615,169
Effect of foreign exchange rate changes on cash		150,937	52,926	(2,795)	(6,731)
Net cash increase/(decrease) in cash	4(51)(a); 16(19)(a)	1,491,084	(1,645,361)	(240,069)	156,271
<i>Add:</i> Cash at beginning of year		16,558,753	18,204,114	6,606,099	6,449,828
Cash at end of year	4(51)(c); 16(19)(b)	18,049,837	16,558,753	6,366,030	6,606,099

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Items	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Other equity instruments Perpetual bond	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings		
Balance at 1 January 2016 (Restated)		3,027,960	-	3,540,247	537,541	495,150	7,745,218	10,311,740	25,657,856
Movement for the year end 31 December 2016		-	2,895,291	(2,823,867)	(167,134)	48,019	1,363,947	576,590	1,892,846
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	2,017,558	846,436	2,863,994
Other comprehensive losses	4(34)	-	-	-	(167,134)	-	-	-	(167,134)
Total comprehensive income		-	-	-	(167,134)	-	2,017,558	846,436	2,696,860
Capital contribution and withdrawal by owners									
Capital contribution from owners		-	-	-	-	-	-	1,368,199	1,368,199
Capital from other equity instruments interests	16(11)	-	2,895,291	-	-	-	-	-	2,895,291
Perpetual convertible securities issued by subsidiaries	6(3)(b)	-	-	-	-	-	-	945,197	945,197
Equity transaction with non-controlling interests		-	-	(344,037)	-	-	-	(2,068,115)	(2,412,152)
Business combinations under common control		-	-	(2,479,830)	-	-	-	-	(2,479,830)
Profit distribution									
Appropriations	4(35)	-	-	-	-	43,363	(43,363)	-	-
Profit distribution to owners	4(36)	-	-	-	-	-	(605,592)	(515,127)	(1,120,719)
Other	4(35)	-	-	-	-	4,656	(4,656)	-	-
Balance at 31 December 2016 (Restated)		3,027,960	2,895,291	716,380	370,407	543,169	9,109,165	10,888,330	27,550,702
Balance at 1 January 2017 (Restated)		3,027,960	2,895,291	716,380	370,407	543,169	9,109,165	10,888,330	27,550,702
Movement for the year end 31 December 2017		-	2,994,677	(62,728)	42,752	27,736	1,267,814	110,580	4,380,831
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	2,112,580	684,217	2,796,797
Other comprehensive income	4(34)	-	-	-	42,752	-	-	-	42,752
Total comprehensive income		-	-	-	42,752	-	2,112,580	684,217	2,839,549
Capital contribution and withdrawal by owners									
Capital contribution from owners		-	-	-	-	-	-	471,275	471,275
Capital from other equity instruments interests	16(11)	-	2,994,677	-	-	-	-	-	2,994,677
Equity transaction with non-controlling interests		-	-	(62,400)	-	-	-	(536,100)	(598,500)
Business combinations under common control	5(1)	-	-	(328)	-	-	-	-	(328)
Profit distribution									
Appropriations	4(35)	-	-	-	-	27,736	(27,736)	-	-
Profit distribution to owners	4(36)	-	-	-	-	-	(605,592)	(508,812)	(1,114,404)
Profit distribution to other equity instruments interests	4(36)	-	-	-	-	-	(95,736)	-	(95,736)
Other		-	-	-	-	-	(115,702)	-	(115,702)
Balance at 31 December 2017		3,027,960	5,889,968	653,652	413,159	570,905	10,376,979	10,998,910	31,931,533

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

Items	Note	Share capital	Other equity instruments Perpetual bond	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
Balance at 1 January 2016		3,027,960	-	3,347,206	8,087	495,150	1,746,792	8,625,195
Movement for the year end 31 December 2016		-	2,895,291	(233,765)	1,320	48,019	(173,414)	2,537,451
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	433,636	433,636
Other comprehensive income		-	-	-	1,320	-	-	1,320
Total comprehensive income		-	-	-	1,320	-	433,636	434,956
Capital contribution and withdrawal by owners								
Capital from other equity instruments interests	16(11)	-	2,895,291	-	-	-	-	2,895,291
Business combinations under common control		-	-	(233,765)	-	-	-	(233,765)
Profit distribution								
Appropriations		-	-	-	-	43,363	(43,363)	-
Profit distribution to owners	4(36)	-	-	-	-	-	(605,592)	(605,592)
Other		-	-	-	-	4,656	41,905	46,561
Balance at 31 December 2016		3,027,960	2,895,291	3,113,441	9,407	543,169	1,573,378	11,162,646
Balance at 1 January 2017		3,027,960	2,895,291	3,113,441	9,407	543,169	1,573,378	11,162,646
Movement for the year end 31 December 2017		-	2,994,677	-	-	27,736	(451,708)	2,570,705
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	277,356	277,356
Total comprehensive income		-	-	-	-	-	277,356	277,356
Capital contribution and withdrawal by owners								
Capital from other equity instruments interests	16(11)	-	2,994,677	-	-	-	-	2,994,677
Profit distribution								
Appropriations		-	-	-	-	27,736	(27,736)	-
Profit distribution to owners	4(36)	-	-	-	-	-	(605,592)	(605,592)
Profit distribution to other equity instruments interests	4(36)	-	-	-	-	-	(95,736)	(95,736)
Balance at 31 December 2017		3,027,960	5,889,968	3,113,441	9,407	570,905	1,121,670	13,733,351

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

1. GENERAL INFORMATION

Beijing Capital Land Ltd.(hereinafter “the Company”) was established by seven companies (hereinafter “the promoters”) on 23 July 2002, namely Beijing Capital Group Ltd. (hereinafter “Capital Group”), Beijing Sunshine Real Estate Comprehensive Development Company (hereinafter “Sunshine Comprehensive”), Beijing Capital Sunshine Real Estate Development Co., Ltd., Beijing Capital Technology Investment Co., Ltd., Beijing Capital Hangyu Economic Development Co., Ltd. (renamed Beijing Capital Development Co. Ltd. as at 28 April 2007, hereinafter “Capital Development”. As at 4 December 2013, Capital Development renamed “Beijing Capital Investment & Development Co., Ltd.”, hereinafter “Beijing Capital Investment”), China Resource Products Limited and Yieldwell International Enterprise Limited. The Company’s place of registry is Beijing, the People’s Republic of China (hereinafter “the PRC”) and is headquartered in Beijing, China.

The Company’s parent company and the ultimate controlling party is Capital Group, a state-owned enterprise established in Beijing.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited in June 2003. And as at 31 December 2017, the total share of the Company is RMB3,027,960,000 with RMB1 per share.

The Company and its subsidiaries (hereinafter “the Group”) are principally engaged in the real estate development and investment, commercial real estate operation and property consulting services.

Substantial subsidiaries consolidated by the Group in year 2017 and 2016 are set out in note 6.

The subsidiaries newly consolidated in the Group this year are mainly as follows, as disclosed in note 5(1), (2), (4).

Company name	Hereinafter as
Shenyang Haohua Real Estate Co., Ltd.(i)	Shenyang Haohua
Capital Jiaming New Town Investment and Development Co.,Ltd.	Capital Jiaming
Beijing Tongchuang Jinlong Real Estate Co., Ltd.	Tongchuang Jinlong
Beijing Xiangneng Real Estate Co., Ltd.	Beijing Xiangneng
Chongqing Shouju Outlets Real Estate Co., Ltd.	Chongqing Shouju
Kunming Capital Outlets Business Operation Management Limited	Kunming Outlets
Juyuan Xincheng(Tianjin) Commercial Management LLP.	Juyuan Commercial Partnership
Shenzhen Shoulong Real Estate Development Co., Ltd.	Shenzhen Shoulong
Tianjin Xingtai Jichang Real Estate Co., Ltd.	Xingtai Jichang
Shanghai Lingyu Real Estate Co., Ltd.	Shanghai Lingyu
Shanghai Shoudian Real Estate Co., Ltd.	Shanghai Shoudian

- (i) The Group completed the transactions of acquiring equity interests of Shenyang Haohua in March 2017. As the Group and the acquiree are under common control of Capital Group, such transactions were treated as business combination involving enterprises under common control. The financial information for the year ended 31 December 2016 is restated accordingly (note 5(1)).

1. GENERAL INFORMATION *(Continued)*

The company de-consolidated by the Group this year are mainly as follows, as disclosed in note 5(3), (4) and note 6(2).

Company name	Hereinafter as
Nanchang Huachuang Xinghong Real Estate Co., Ltd.	Nanchang Huachuang
Qingdao Guoxin Yicheng Investment Co., Ltd.	Qingdao Guoxin
Tianjin Yongyuan Real Estate Co., Ltd. (note 6(2)(a)(v))	Tianjin Yongyuan

These consolidated financial statements were approved by the Board of Directors on 26 February 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determined specific accounting policies and accounting estimates based on its business operation characteristics, such as provision for doubtful debts of receivables (note 2(11)), measurement of inventories (note 2(12)), measurement model of investment properties (note 2(15)) and the point of time of revenue recognition (note 2(24)), etc.

The key judgements used by the Group determining the significant accounting policies are disclosed in note 2(32).

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS").

The financial statements were prepared on basis of going concern.

The new HK Company Ordinance came into force in 2016, certain disclosure in this financial statements has adjusted accordingly.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as at 31 December 2017 and of their financial performance, cash flows and other information for the year ended 31 December 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December.

(4) Functional currency

The functional currency of the Company and most of its subsidiaries is Renminbi (RMB). Subsidiaries of the Company determine their functional currency based on its operation environment, the functional currency of certain subsidiaries of the Group incorporated in France and Australia are local currency, the consolidated financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the acquirer in a business combination are measured at the carrying amount, but measured on the basis of the acquiree's carrying amount of assets and liabilities (including the goodwill generated from the acquisition of the acquiree by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party, under the condition that the acquiree was acquired from a third party by the ultimate controlling party in previous years. The differences between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is recognized in the capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is recognized in retained earnings. Costs directly attributable to the combination shall be recognized in profit or loss for the year when occurred. Transaction costs in the issue of equity securities and debt securities attributable to the combination shall be recognized in initial amount of equity securities and debt securities.

(b) Business combinations involving enterprises other than common control

The consideration paid and identifiable net assets obtained by the acquirer in a business combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognized in profit or loss for the current period.

For a business combination involving entities other than common control achieved in stages, in the separate financial statements, the initial cost shall be the summation of the book value of the previously held interest before the acquisition date and the additional investment cost on the acquisition date. In the consolidated financial statements, the previously held equity interests in the acquiree is remeasured at fair value on the acquisition date, and the difference between the fair value and book value is recognized as investment income for the current period. If other comprehensive income was recognized regarding the equity interests previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income for the year acquisition occurs. Difference between the sum of the fair value of consideration along with the fair value of equity interests of the acquiree held previously, and the fair value of the identifiable net assets acquired on the acquisition date is recognized as goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(5) Business combinations *(Continued)*

(b) Business combinations involving enterprises other than common control *(Continued)*

Costs directly attributable to the combination shall be recognized in profit or loss for the year when occurred. Transaction costs in the issue of equity securities and debt securities attributable to the combination shall be recognized in initial amount of equity securities and debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises other than common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the acquisition date.

All significant inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity, the portion of a subsidiary's net profits and losses and comprehensive income for the year not attributable to the Company are recognized as non-controlling interests and income attributed to non-controlling interests as presented separately in the consolidated financial statements within equity, net profits and comprehensive income respectively. Unrealized inter profit or loss in transactions where the Company sells assets to its subsidiaries are fully eliminated to the net profits attributable to owners of the Company. Unrealized inter profit or loss in transactions where a subsidiary sells assets to the Company are eliminated between the net profits attributable to owners of the Company and the profit or loss of the non-controlling interest in proportion to the Company's allocation to the subsidiary. Unrealized inter profit or loss in transactions between subsidiaries selling assets are eliminated between the net profits attributable to owners of the Company and the profit or loss of non-controlling interest in proportion to the Company's allocation to the selling side.

A transaction will be adjusted from the perspective of the Group in condition that assertions are different when accounting entities are the Group and the Company or its subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Cash

Cash comprises cash on hand and deposits that can be readily drawn on demand.

(8) Foreign currency translation

(a) Foreign currency translation

Foreign currency transactions are translated into functional currency using the spot exchange rates at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "retained earnings" are translated at the spot exchange rates on the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates or the approximate rate of it on the transaction dates. The differences arising from the above translation are presented separately in the owners' equity, as other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(i) Classification of financial assets *(Continued)*

– *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

– *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including trade receivables, other receivables and long-term receivables.

– *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument, and the relevant transaction costs of financial assets at fair value through profit or loss are recognized in profit or loss for the current period. Transaction costs that are attributable to the acquisition of the receivables and available-for-sale financial assets are included in their initial recognition amounts.

Fair values are used to determine the subsequent measurements of financial assets at fair value through profit or loss and available-for-sale financial assets. However, for equity investments that neither have quoted price available in an active market nor fair values can be reliably measured, cost method should be used in measuring. Receivables are measured at amortized cost using the effective interest method.

Changes in fair value of financial assets measured at fair value through profit or loss are recognized as fair value gain or loss into profit or loss for the current period; Interests or cash dividends gained during the holding period of assets, and disposal gain or loss are recognized into profit or loss for the current period.

Gain or loss arising from changes in fair value of available-for-sale financial assets is recognized directly in equity, except for impairment losses and exchange gain or loss arising from translation of foreign monetary financial assets. When such financial assets are derecognized, the cumulative gain or loss previously recognized directly into equity is recycled into profit or loss for the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) Impairment of financial assets

Except for financial assets at fair value through profit or loss, the Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset is impaired, the Group shall make a provision for impairment.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured by the Group.

Objective evidence of impairment on available-for-sale equity investments includes the significant or prolonged decline of the fair value of those equity instruments. The Group assesses the carrying amounts of available-for-sale equity instruments individually at each balance sheet date. If the fair value of the equity instrument declines for more than 50% (included) compared with the initial investment cost or the decline lasts for more than one year (included), the impairment occurs; if the fair value of the equity instrument declines for more than 20% (included) but not beyond 50%, the Group will take other relevant factors, such as price fluctuations into consideration to judge whether the impairment occurs. The Group applies weighted-average method to estimate the initial investment of the available-for-sale equity instrument investment.

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is measured at the difference between the assets' carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial assets recovered and the recovery is related objectively to the event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and such amount is recognized in profit or loss for the current period.

In the case of a significant or prolonged decline in the fair value of available-for-sale financial assets, the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized in impairment loss. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in the subsequent period is recognized in equity directly.

In the case of decline in the cost model of an available-for-sale financial assets, the difference between its book value and the present value of the cash flow from the similar financial asset under present market yields shall be recognized in profit or loss. Accrued impairment will not be reversed in the future period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iv) Derecognition of financial assets

A financial asset is derecognized when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received along with the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are mainly financial liabilities at fair value through profit or loss, derivative financial liabilities and other financial liabilities, including payables, borrowings and debentures payable.

Forward foreign exchange contract measured by hedge accounting is accounted as derivative financial liabilities. Other forward foreign exchange contracts are measured at fair value and the changes in fair value are recognized in profit or loss.

Payables include trade and other payables, notes payables and long-term payables etc., which are initially recognized at fair value and recorded at amortized cost using effective interest rate in subsequent measurement.

Borrowings and debentures payable are initially recognized at fair value less trading expenses and recorded at amortized cost using effective interest rate in subsequent measurement.

Financial liabilities with repayment period within 1 year (including 1 year) or in an ordinary operation cycle are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 year from balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or has been partly discharged. The difference between the carrying amount of the derecognized part of the financial liabilities and the consideration paid is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(c) Determination of fair value of financial instrument

The fair value of a financial instrument that is traded in an active market is determined by the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities should be presented separately in balance sheet without offsetting. A financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (i) The Group currently has a legally enforceable right to set off the recognized amounts and the legal enforceable right is now executable. (ii) The Group intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(10) Hedging activities

The Group sets forward foreign exchange contract as hedging instrument to avoid foreign exchange risks. Changes in cash flow of the hedging instrument are expected to offset the changes in cash flow of hedged items. The Group accounts the hedging by using cash flow hedge.

Fair value of the hedging derivatives would be classified as a non-current asset or liability when the residual maturity of the hedged item is longer than 12 months.

The Group continuously records its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items (whether the offset results are between 80% and 125%). The Group adopts ratio analysis to assess subsequent effectiveness of cash flow hedge.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Hedging activities *(Continued)*

Gain or loss on the cash flow hedging instrument relating to the effective portion is recognized in other comprehensive income and presented separately. Amount of the effective portion is the lower of the absolute value of the two items below:

- (i) Accumulated gain or loss on the hedging instrument from hedging date;
- (ii) Accumulated changes in present value of expected future cash flow of hedged transactions from hedging date.

Gain or loss relating to the ineffective portion, that is gain or loss deducting the portion recognized in other comprehensive income, is recognized in profit or loss.

When the hedged item impact the profit and loss, the gain or loss on the hedging instrument recognized in other comprehensive income is transferred out and recognized in profit or loss. However, when a hedged prospective transaction results in the recognition of a non-financial asset, the gain or loss previously recognized in equity is transferred out from equity and included in the cost of the non-financial asset at the initial recognition.

When a hedging instrument expires or is sold, the hedging contract terminated, or a hedge no longer meets the criteria for hedge accounting, the Group no longer applies hedging accounting. Any cumulative gain or loss recognized in equity previously when hedging is effective will be transferred out and recognized in profit or loss till the prospective transaction ultimately occurs. When a prospective transaction is no longer expected to occur, the cumulative gain or loss recognized in equity previously when hedging is effective is transferred out and recognized in profit or loss immediately.

(11) Receivables

Receivables comprise trade and other receivables. Trade receivables arising from sale of goods or rendering of services are initially recognized at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables that are individually significant and subject to separate assessment for provision for doubtful debts

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognized at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

The criterion for determining "individually significant" is as follows: trade receivables are all individually significant, for other receivables, any individual amount exceeds RMB30,000,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Receivables *(Continued)*

(a) Receivables that are individually significant and subject to separate assessment for provision for doubtful debts *(Continued)*

The method of providing for doubtful debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(b) Receivables that are subject to provision for doubtful debts on the grouping basis

Receivables due from related parties with amounts that are not individually significant and have been individually assessed for impairment and have not been found impaired are classified into group of related parties. The provision for doubtful debts is determined based on the historical loss experience, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group of related parties	Amounts due from related parties
--------------------------	----------------------------------

Methods of determining provision for doubtful debts by grouping are as follows:

Group of related parties	No doubtful debts provided according to low credit risk upon assessment, based on the principal activities and the history transactions
--------------------------	---

Receivables due from third parties are subject to separate assessment for provision, as there is no similar credit characteristics among them.

(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for doubtful debts

The reason for making separate assessment for provision for doubtful debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for doubtful debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Inventories

(a) Classification

Inventories include properties under development, properties held for sale, construction contract – amounts due from claims for contract work, merchandise inventories and low-cost consumables, which are measured at the lower of cost and net realizable value.

(b) Measurement of inventories

Inventories are initially recognized at the actual costs. The costs of properties under development and properties held for sale comprise land cost, construction cost, capitalized borrowing costs, and other direct and indirect fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale at the actual costs. For land use rights that are developed for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties.

Public ancillary facilities comprise government-approved public ancillary projects, i.e. roads etc. The relevant costs are recognized in the properties under development, and are recorded by each cost items, the cost paid for land use rights are classified and accounted for as part of properties under development.

Construction contract is disclosed at the aggregate amount of costs incurred and aggregate gross profit/(loss) recognized, less the settlement amount. The excess of the aggregate amount of costs incurred and aggregate gross profit/(loss) recognized over the settlement amount is recognized as “Work in progress” under inventories; while, it is recognized as “Advances for contract work” under advances from customers when aggregate amount of costs incurred and aggregate gross profit/(loss) recognized is less than the settlement amount.

Merchandise inventories are finished goods purchased from external for retail, which are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods is purchase costs agreed in purchasing contracts. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and related taxes.

(c) Measurement of net realizable value and provisions of inventories

Provisions are determined at the excess amount of the carrying value of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated selling expenses and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Low-cost consumables are amortized using the one-off amortization method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are joint arrangements of which the net asset is attribute to the Group based on the legal forms, terms of contract and other facts and the investees over which the Group is able to exercise joint control together with other ventures. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

(a) Measurement of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through business combination involving enterprises under common control, the investment cost shall be the acquirer's share of the carrying amount of the acquiree's owners' equity presented in the consolidated financial statements of the ultimate controlling party on the combination date; for long-term equity investments acquired through a business combination involving enterprises other than common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity instruments, the initial investment cost shall be the fair value of the equity instruments issued.

(b) Subsequent measurement and recognition of investment income and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment cost, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets on the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets on the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Long-term equity investments *(Continued)*

(b) Subsequent measurement and recognition of investment income and loss *(Continued)*

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income or losses according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognizing the investment losses expected to be borne. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group adjusts the carrying amount of long-term equity investments and records its proportionate share directly into capital reserve. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(c) Definitions of control, joint control and significant influence

Control is the power over the investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee companies, and has the ability to affect those returns through its power over the investee companies.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and the other parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investment

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Joint operations

Joint operations are operations with a contractual arrangement, whereby the Group and other parties jointly enjoy related assets and are responsible to related liabilities. Under joint operations, the assets and liabilities which belong to joint operations and are related to profit shares should be recognized separately or shared by proportion; Revenues were recognized from selling the Group's share in joint operations or selling products of joint operations; expenses were recognized separately or shared by proportion in the joint operations.

(15) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

The Group adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

- (a) There is an active property market where the investment property locates.
- (b) The Group can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Depreciation or amortization will no longer be provided for investment properties measured at fair value. Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit and loss account of the Group.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15) Investment properties *(Continued)*

When objective evidence indicates that the purpose of the real estate has changed and the Group converts investment property to owner-occupied property or real estate inventory, the property's carrying amount is stated at the fair value on the conversion date. The difference between the fair value and the original carrying amount is recognized in profit or loss for the current period. When any owner-occupied property or real estate inventory is converted to investment properties to be measured through the fair value model, the fair value on the conversion date is recognized as the carrying amount of the investment property. When the fair value on the conversion date is less than its carrying amount, the difference will be charged to profit or loss for the current period. When the fair value on the conversion date is more than its carrying amount, the difference will be charged to other comprehensive income.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, scrapping or damage of an investment property subtract its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

(16) Fixed assets

(a) Recognition and initial measurement

Fixed assets comprise buildings, motor vehicles, and office equipments, etc.

Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the year in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(16) Fixed assets *(Continued)*

(b) Depreciation methods of fixed assets *(Continued)*

The estimated useful lives, the estimated rate of residual value and the annual depreciation rate are as follows:

	Estimated useful lives	Estimated rate of residual value	Annual depreciation rate
Buildings	10-40 years	0% to 10%	2.3% to 10.0%
Motor vehicles	5-10 years	0% to 10%	9.0% to 20.0%
Office equipment	3-10 years	0% to 10%	9.0% to 33.3%

The estimated useful lives, the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least each year end.

(c) When recoverable amount of a fixed asset is lower than its carrying amount, the carrying amount should be written down to the recoverable amount (Note 2(19)).

(d) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, scrapping or damage of a fixed asset subtract its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

(17) Borrowing costs

The Group's borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use or sale commence to be capitalized and recognized as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use or sale have commenced. The capitalization of borrowing costs ceases, when the investment properties under acquisition or construction becomes ready for its intended use, the properties under development become ready for sale (generally after Completion Certification granted), the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For borrowings that specified for acquisition and construction of investment properties and real estate projects and qualified for capitalization, the capitalization amount is measured as current actual interests of the specified borrowings subtract interest revenue earned from unused borrowings deposited at bank or investment income earned from temporary investment activities with unused borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17) Borrowing costs *(Continued)*

For general borrowings that occupied by the acquisition and for construction of investment properties and real estate projects qualified for capitalization, the capitalization amount should be the weighted average exceeds of accumulated capital expenditures for capitalization over the amount of specialized borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the estimated future or the applicable shorter period cash flows of the borrowings to the initial measurement of the borrowings.

(18) Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure subtract accumulated amortization.

(19) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Goodwill that is separately presented in the financial statements is tested at least semiannually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(20) Employee benefits

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, short-term compensated absences and profit sharing plan. When an employee has rendered service to the Group during an accounting period, the Group shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

(b) Demission benefits

Demission benefits are classified as defined contribution plan and defined benefit plans. Defined contribution is demission benefits plan in which the Group is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other demission benefits plan except for defined contribution plan. During the period, demission benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

– ***Basic social pension security***

Employees of the Group participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. When an employee has rendered service to the Group during an accounting period, the Group shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

The Group provides a pension scheme, which is established under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”), for all employees in Hong Kong. The statutory contribution requirements to the MPF Scheme are minimum 5% of eligible employees’ relevant aggregate income and maximum of HKD1,500 monthly. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(20) Employee benefits *(Continued)*

(b) Demission benefits *(Continued)*

– *Supplementary pension security plan*

Qualified employees of the Group can voluntarily join the supplementary pension security plan. Supplementary pensions are provided monthly based on employees' social security basis published in April and proportions of 5% from the Group and 5% from employee, which are paid to trustee. After retirement of employees, trustee will pay related pensions to employees accordingly. When an employee has rendered service to the Group during an accounting period, the Group shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

(c) Termination benefits

Termination benefits are payables when employment is terminated by the Group before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Group recognizes termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: when the Group can no longer withdraw the offer of termination plan; and when the Group recognizes costs for restructuring which involving the payment of termination benefits.

Termination benefits is disclosed as current liabilities if it is planned to be paid within one year after the balance sheet date.

(21) Equity instruments

Financial instruments issued by the Group are classified as equity instruments when both of the following conditions are satisfied:

- (a) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or liabilities under potential adverse condition with other parties;
- (b) The financial instruments should and can be settled via equity instruments of the Group. For non-derivative instruments, the instruments have no contractual obligation to be settled by delivering fixed number of equity instruments of the Group. For derivative instruments, they can only be settled through the exchange of fixed number of the Group's equity instruments with fixed amount of cash or other financial assets.

Equity instruments except for ordinary shares issued by the Company are presented as other equity instruments in the financial statements. The amounts issued by the subsidiaries and classified as equity instruments in the consolidated financial statements of the Group are presented as non-controlling interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(22) Distribution of dividends

The amount of dividends is recognized as liability in the current period in which it is approved by general meeting of shareholders.

(23) Provisions

Provisions for product warranties, pending litigations etc. are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A provision is disclosed as current liabilities if it is planned to be paid within one year after the balance sheet date.

(24) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable from the sales of goods and the rendering of services in the ordinary course of the Group's business activities. Revenue is shown net off rebates, discounts and returns.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's business activities as described below:

(a) Sales of goods

- (i) Revenue of sales of development properties is recognized when all the following conditions have been satisfied:
 - properties are completed and accepted or regarded as accepting after check;
 - a legally binding sales contract has been signed;
 - all the significant risks and rewards of ownership of the development properties have been transferred to the buyer;
 - the Company does not retain the management rights, which is normally associated with owner, on the development properties sold and has no control over the development properties sold. The Company does not meet the other criteria required when recognizing revenue mentioned above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(24) Revenue recognition *(Continued)*

(a) Sales of goods *(Continued)*

- (ii) Retail income, the Group sells products to individual customers through its retail outlets. Sales of goods are recognized in the accounting period in which the Group sells a product to the customer, with all the significant risks and rewards of ownership of the product been transferred to the buyer and related costs been reliably measured. Retail sales are usually settled in cash or by credit card.

(b) Revenue from construction contract

In the situation that result of the construction contract can be reliably measured, contract revenue and cost are measured by using the completion percentage method on the balance sheet date. The progress of completion is determined by the percentage of total actual contract cost incurred to the total expected contract cost.

In the situation that result of the construction contract can not be reliably measured, contract revenue is measured at the amount of contract cost, which is able to be compensated, and contract cost is recognized in the profit or loss for the period. However, if the contract cost is unable to be compensated, it shall be recognized immediately as expense in profit or loss, with no recognition of contract revenue. In the situation that the uncertainty factors, which may lead to the result of the construction contract, can not be reliably measured no longer exist, the related contract revenue and cost are measured by using the completion percentage method.

The expected loss which is resulted from the excess of total expected contract costs over the total expected contract revenue, is recognized as expense for the period.

(c) Rendering of services

The Group provides service to external parties. The related revenue is recognized using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

(25) Government grants

Government grants are the gratuitous monetary assets or non-monetary assets that the Group receives from the government, including tax returns and financial subsidies.

Government grants are recognized when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Monetary assets of the government grants are measured as the amount received or receivable. Non-monetary assets of the government grants are measured as fair value or notional value if the fair value cannot be obtained reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(25) Government grants *(Continued)*

A government grant related to an asset is the government grants acquired by the Group that specified for acquisition and construction or in other ways to form long-term assets. For government grants related to income are government grants other than government grants related to assets.

Government grants related to assets are recognized as deferred revenue or writing down book value of relevant assets and will be amortized over the useful life of the related assets in profit or loss using a reasonable method. Government grants related to income which are used to compensate expenses or losses in subsequent periods, are recognized as deferred revenue and realized in profit or loss or writing down relevant costs for the year such expenses or losses occurred; the ones which are to compensate expenses or losses occurred in previous periods are directly realized in profit or loss or writing down relevant costs. The Group disclosed government grants of the same category in the same way.

Government grants related to daily operations are recognized in operating profit and otherwise in non-operating income.

The book value of the borrowings with granted prime interest rate received by the Group are recognized at the value of net cash received, and the borrowing costs are calculated on the capital of borrowings and the granted prime interest rate. The fiscal interest discount received directly by the Group writes down the borrowing costs related.

(26) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences, deductible losses, and deductible tax amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(26) Deferred income tax assets and deferred income tax liabilities *(Continued)*

Deferred income tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future to offset the deductible temporary differences, the corresponding deferred income tax assets are recognized.

Deferred income tax assets and liabilities are offset if all the following conditions are met:

- they related to income taxes levied by the same tax authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets and current tax liabilities.

(27) Leases

A finance lease is a lease that substantially transfers all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

The Group does not have finance leases. Lease payments under an operating lease are recognized in the asset cost or in profit or loss on a straight-line basis over the year of the lease.

Income from an operating lease is recognized on a straight-line basis over the year of the lease.

(28) Maintenance and quality guarantee funds

Maintenance fund is collected from property buyers according to related regulations on behalf of housing administration bureau, by certain percentage of selling price of property, the fund will be delivered to housing administration bureau upon registration of property ownership. Maintenance fund is recognized in other payables when received and is for the repair and update for the common parts and equipment and public facilities of the real estate specially.

Quality guarantee fund is reserved by certain percentage of the project payment and when the properties are completed it will be repaid to constructor, in condition that there's no quality issue in agreed warranty period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(29) Held for sale and discontinued operations

A non-current asset or a component of the group satisfying the following conditions is classified as held for sale: (1) the non-current asset or the component in current conditions can be sold immediately according to usual trading terms; (2) the Group has made a legally binding sales agreement and has been approved for disposal of the non-current asset or the component, and the transfer will be completed within one year.

Non-current assets (except for financial assets, investment property at fair value and deferred income tax assets), which meet the recognition criteria for held for sale are measured at the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognized as an asset impairment loss.

Non-current assets classified as held for sale, the assets and liabilities in the disposal groups are classified as current assets and current liabilities and should be listed on the balance sheet separately.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group: (i) the component represents a separate major line of business or an individual geographical area of operations; (ii) is part of a single coordinated plan to disposal of a separate major line of business or an individual geographical area of operations; (iii) is a subsidiary acquired exclusively for the purpose of resale.

Profit or loss from discontinued operation listed in income statement includes profit or loss from operating and the disposal.

(30) Segment information

The Group identifies operating segments based on the internal organization, management requirements and internal reporting system and the reportable segments is determined and segment information is disclosed based on the operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its operation activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have the similar economic characteristics and satisfy certain conditions, they could be aggregated into one single operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(31) Purchase shares in subsidiaries from non-controlling interests and partial disposal of interest in a subsidiary without loss of control

For the transaction with non-controlling interest to partially or wholly acquire interests in a subsidiary after obtaining the control rights over the subsidiary, the assets and liabilities of the subsidiary are measured consistently following their value at the acquisition or merger date in the consolidated financial statements. The difference between additions in long-term investment due to the interest purchase and additions of shared net assets of the subsidiary calculated by the additional share proportion should be recorded in capital reserve (share premium). In case share premium is not sufficient to offset the difference, retained earnings should be adjusted.

For the transaction to dispose long-term equity investment in a subsidiary with non-controlling interest without losing control rights over the subsidiary, the difference between the proceeds from disposal of interests and the decrease of the shared net assets of the subsidiary is adjusted to capital reserve (share premium). In case share premium is not sufficient to offset the difference, retained earnings will be adjusted.

(32) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Property development cost

Critical estimates and judgments on budget cost and development progress are required in determining property development cost. The budget cost and development progress of the project is reviewed by the Group on a regular basis and adjusted as appropriate. Should the actual cost differs from the budget cost, such difference will impact the relevant property development cost or main operation cost.

(ii) Taxes

The Group is subject to various taxes for the business of property development. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required in determining the provision for land appreciation tax ("LAT"). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the year in which such determination is made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(32) Critical accounting estimates and judgments *(Continued)*

(a) Critical accounting estimates and key assumptions *(Continued)*

(iii) Impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(19). If there is objective evidence that the carrying amount of assets is in excess of its recoverable amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(iv) Provisions for doubtful debts of receivables

The Group tests annually whether receivables suffer any impairment in accordance with the accounting policy stated in note 2(11). If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognized.

(v) Deferred income tax assets

Judgment for whether deductible temporary differences and deductible losses can be reversed in the future period is required from the Group in recognizing deferred income tax assets. For deductible temporary differences and deductible losses, the Group recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses.

(vi) Fair value of investment properties

The Group adopts fair value model for subsequent measurement of investment properties. Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measured. Critical estimates and judgments are required in determining the timing to adopt fair value model for subsequent measurement of investment properties, the Group makes such estimates and judgments based on the area, market condition, and development progress of the investment property project and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

- Current prices (open market quotations) in an active market for the same or similar investment properties;
- When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;
- Based on the estimated rental income generated in the future and present value of the related cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(32) Critical accounting estimates and judgments *(Continued)*

(a) Critical accounting estimates and key assumptions *(Continued)*

(vii) Provision for the decline in value of inventories

The Group measures the inventories at the lower of cost and net realizable value at the balance sheet date. The calculation of net realizable value needs assumptions and estimates. If the management changes the estimated selling price and the estimated costs and expenses to completion, the estimated net realizable value would be affected; such difference will impact the provisions of inventories which have been recognized.

(viii) Deferred income tax liabilities

The Group should make judgement about the probability the taxable temporary differences could be realized through dividends distribution or equity transfer of the investee companies, to recognize deferred income tax liabilities for the taxable temporary differences related to equity investment.

(b) Critical judgments on application of accounting policy – revenue recognition

According to the accounting policy stated in note 2(24), the assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the judgment according to the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the buyer check and accept the property or when the buyer is regarded as checking and accepting the property.

As disclosed in note 10, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. The Group believes that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the buyers check and accept the property or when the buyers are regarded as checking and accepting the property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(33) Changes in significant accounting policies

In 2017, the Ministry of Finance issued “Accounting Standards for Business Enterprises No.42- Non-current assets held for sale, disposed units, discontinued operation”, “Accounting Standards for Business Enterprises No.16- Government grants” (amended) and “Notice issued on revision and issuance of general format of financial statements for business enterprises” (Caikuai No.30, 2017). The Group has adopted above-mentioned standards and notice in preparing the financial statements for year 2017, the impact on the financial statements of the Group are disclosed as followings:

Contents and reasons of the changes in accounting policies	Items in the financial statements affected	Year ended 31 December 2016
The Group recognized the tax returns such as LAT and compensation for opening expenses of investment properties into other gains. The comparative financial statements of year 2016 was not restated.	N/A	N/A
The Group recognized the gains and losses arising from disposal of fixed assets and investment properties into gains from disposal of assets. The comparative financial statements of year 2016 was restated accordingly.	Gains from disposal of assets Non-operating income Non-operating expenses	105 163 (58)

3. TAXATION

The types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Enterprise income tax	Taxable income of subsidiaries located in the PRC	25%
	Income from taxable dividends of non-resident enterprises and investments disposal in mainland China	5%–10%
Value added tax (“VAT”)(a)	Taxable income of subsidiaries located in Hong Kong	16.5%
	Taxable value added amount (calculated at taxable sales multiplied by applicable tax rate, deducting the input VAT deductible in current period)	3%, 5%, 6%, 11%, 17%
Business tax (a)	Taxable turnover amount	5%
LAT	Taxable value added amount through sales of properties	30%–60%
City maintenance and construction tax	Amount of VAT and business tax paid	5%, 7%
Education surcharge	Amount of VAT and business tax paid	According to the policies implemented at the location of the company
Property tax	Taxable residual value of properties	1.2%
	Rental income of properties	12%

- (a) In accordance with the Circular on the full implementation of Levying Value Added Tax in place of Business Tax (Caishui No. 36, 2016), since 1 May 2016 levying value added tax in place of business tax is implemented in all industries in the PRC. Construction industry, real estate industry, financial industry and service industry etc. apply to value added tax in place of business tax. According to the regulation, sales revenue from the real estate development and investment, and commercial property operation of the Group apply to the value added tax since 1 May 2016, of which, real estate development project with construction permit stating the commencement date is before 30 April 2016 applies the rate of levy collection of 5%, otherwise applies the general rate of 11%. The commercial property operation business applies the rate of 5% and 17%. These businesses of the Group applied to business tax with the rate of 5% before 1 May 2016.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2017	31 December 2016 (Restated)
Cash on hand	710	1,023
Bank deposits	20,917,287	17,908,747
Other cash balances	120,181	16,303
Total	21,038,178	17,926,073
Including: deposits overseas	1,459,728	2,251,770

As at 31 December 2017, bank deposits includes supervised advance from customers' mortgaged and pledged deposits for loans, performance guarantee fee, security deposits for certain mortgage loans to customers and certain loan and bond interests amounted to RMB2,868,160,000 (31 December 2016: RMB1,351,017,000). The Group has reclassified the above amount to restricted bank deposits.

Including: as at 31 December 2017, the carrying amount of supervised advance from customers was RMB506,129,000 (31 December 2016: RMB592,931,000). According to the requirements of some local authorities (such as in Beijing, Tianjin etc.) in the PRC, real estate developers need to open supervised bank account when applying for pre-sale permit for new commercial property. All the advances received from property customers should be transferred to such account. Which are supervised by regulator and all cash payment from such account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis.

As at 31 December 2017, the mortgaged and pledged deposits for loan amounted to RMB734,795,000 (31 December 2016: RMB728,993,000).

As at 31 December 2017, the performance guarantee fee amounted to RMB1,600,000,000 (31 December 2016: Nil)

As at 31 December 2017, other cash balances amounted to RMB120,181,000 are deposits for bank acceptance bill (31 December 2016: RMB16,303,000). The Group has classified such amount to restricted bank deposits.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Financial assets at fair value through profit or loss

(a) Financial assets at fair value through profit or loss

	31 December 2017	31 December 2016
Beijing Urban Construction Design & Development Group Co., Ltd. – Listed company on HKEx	–	217,141
Investment Funds Operated by Capital Securities Co., Ltd (“Capital Securities”)	73,844	–
Total	73,844	217,141

The trading equity instrument are securities listed on Stock Exchanges and the fair values as at balance sheet date are determined by the closing price on the last trading day of the year.

(b) Financial liabilities at fair value through profit or loss

	31 December 2017	31 December 2016
Derivatives	235,605	–

In 2017, the Group entered into capped cross currency swap and capped forward contracts for certain foreign currency liabilities such as medium-term notes, etc., which belong to derivatives. The Group recognized such derivatives as financial liabilities at fair value through profit or loss.

(3) Dividends receivable

	31 December 2017	31 December 2016
Tianjin Capital Xinming Real Estate Co., Ltd. (“Tianjin Xinming”)	12,000	12,000

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Trade receivables

	31 December 2017	31 December 2016
Trade receivables	2,416,002	1,002,223
Less: provision for doubtful debts	(7,000)	(7,000)
Net	2,409,002	995,223

Most sales of the Group are in the form of cash and advanced payment. Other sales are collected subject to the agreed terms on sales contract.

(a) The aging of trade receivables by posting date is analyzed as follows:

	31 December 2017	31 December 2016
Within 1 year	2,196,967	370,636
1 to 2 years	73,964	47,907
2 to 3 years	45	470,967
Over 3 years	145,026	112,713
Total	2,416,002	1,002,223

As at 31 December 2017, trade receivables of RMB 1,168,000 (31 December 2016: RMB 1,122,000) is overdue. Based on the financial circumstance and the credit records, the Group believed the trade receivables are collectable and are not impaired, so were not subject to separate assessment for provision for impairment. An aging analysis of the overdue trade receivables is as follows:

	31 December 2017	31 December 2016
Over 3 years	1,168	1,122

As at 31 December 2017, trade receivables of RMB7,000,000(31 December 2016: RMB7,000,000) is overdue and impaired with aging over 3 years, which is fully impaired with amount of RMB7,000,000(31 December 2016: RMB7,000,000).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Trade receivables (Continued)

(b) The trade receivables classified by their categories are analyzed as follows:

	31 December 2017	31 December 2016
Primary land development (i)	2,289,818	636,858
Property sales	80,899	339,223
Investment properties	17,441	10,909
Others	27,844	15,233
Total	2,416,002	1,002,223

(i) The amount is due from Land Reserve Centers of Tianjin arising from primary land development cooperated by the Group and Land Reserve Centers of Tianjin in Wuqing District.

	31 December 2017				31 December 2016			
	Book value		Provision for doubtful debts		Book value		Provision for doubtful debts	
	Amount	% of total balance	Amount	% of the provision	Amount	% of total balance	Amount	% of the provision
Significant individual amount and subject to separate provision for doubtful debts	7,000	-	(7,000)	100	7,000	1	(7,000)	100
Receivables that are subject to separate provision for doubtful debts with no similar credit characteristic	2,409,002	100	-	-	995,223	99	-	-
Total	2,416,002	100	(7,000)	0.3	1,002,223	100	(7,000)	0.7

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables

	31 December 2017	31 December 2016 (Restated)
Receivables due from joint ventures (Note 9(6))	3,441,564	1,031,422
Receivables due from associates (Note 9(6))	555,467	1,313
Other related parties receivables (Note 9(6))	54,078	240,369
Receivables due from parent company (Note 9(6))	–	1
Land deposits and other guarantee deposits	154,382	846,362
Receivables from primary land development (i)	107,541	125,852
Consideration receivables from disposal of subsidiaries' equity and claims for debts (ii)	418,776	393,829
Consideration receivables from disposal of associates' equity (iii)	17,511	17,511
Prepayments for cooperation projects (iv)	1,842,524	–
Collect and remit payment on behalf	127,666	187,959
Receivables from government repurchase of land use rights	377,865	–
Others	857,929	546,350
Total	7,955,303	3,390,968
Less: provisions for doubtful debts	(121,791)	(41,791)
Other receivables – net	7,833,512	3,349,177

(i) The receivables from primary land development are receivables from Land Reserve Centers of Beijing.

(ii) In 2013, the Group disposed 50% of equity interests of Outlets Property Investment Guang Dong Ltd. (hereinafter "Outlets Guangdong") to a third party, with part of consideration for equity transfer and receivables from Outlets Guangdong unreceived. As at 31 December 2017, receivables of consideration from equity transfer and receivables from Outlets Guangdong totalled to RMB339,520,000 (31 December 2016: RMB318,573,000). In 2017, the Group accrued impairment of RMB80,000,000 based on the analyst of financial position.

Except for above-mentioned amounts, as at 31 December 2017, the receivables are mainly due from HuaQian Company for the disposal of overseas equity interests of Beijing Tiancheng Yongtai Real Estate Co., Ltd., (hereinafter "Tiancheng Yongtai") an original subsidiary of the Group, amounting to RMB79,256,000 (31 December 2016: RMB75,256,000), which are overdue, but based on the financial position and analyst of credit record of HuaQian, the Group believes that the amounts are recoverable and not impaired, so are not subject to separate assessment for provision for impairment.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

- (iii) The amounts of International Financial Center Property Ltd. (hereinafter "IFC") were consideration receivable from Field International arising from equity transfer of Jiaya Company.

As at 31 December 2017 and 31 December 2016, other receivables amounted to RMB17,511,000 are overdue, but based on the financial position and analyst of credit record, the Group believes that the receivables are recoverable and not impaired, so are not subject to separate assessment for provision for impairment. An aging analysis of other receivables are as follows:

	31 December 2017	31 December 2016
Over 3 years	17,511	17,511

- (iv) Prepayments for cooperation projects are receivables of Capital (Tianjin) Real Estate Management Co., Ltd. (hereinafter "Tianjin Management") due from cooperation project in Zhongbei Town, amounting to RMB 671,695,000; receivables of Beijing Capital Yinxing Investment and Management Co., Ltd. (hereinafter "Capital Yinxing") due from cooperation project in Tanzhe Temple, Mentougou, amounting to RMB 665,900,000; receivables of Ruiyuan Fengxiang Real Estate Co., Ltd. (hereinafter "Ruiyuan Fengxiang") due from cooperation project in Daping street, Chongqing, amounting to RMB 228,478,000; receivables of Beijing Zhongrui Kaihua Investment and Management Co., Ltd. (hereinafter "Zhongrui Kaihua") due from cooperation project in Liangxiang, amounting to RMB222,041,000, and due from cooperation project in Miyun County, amounting to RMB 54,410,000.

- (a) Aging analysis of other receivables are as follows:

	31 December 2017	31 December 2016 (Restated)
Within 1 year	7,251,860	2,749,452
1 to 2 year	92,039	137,753
2 to 3 years	113,841	65,806
Over 3 years	497,563	437,957
Total	7,955,303	3,390,968

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(b) Analysis of other receivables by categories are as follows:

	31 December 2017				31 December 2016 (Restated)			
	Book value		Provision for doubtful debts		Book value		Provision for doubtful debts	
	Amount	% of total balance	Amount	% of the provision	Amount	% of total balance	Amount	% of the provision
Receivables with amount that are individually significant and subject to separate assessment for provision for doubtful debts	339,520	4	(80,000)	24	-	-	-	-
Receivables that are subject to provision for doubtful debts on the grouping basis – Group of related parties	4,051,109	51	-	-	1,273,105	38	-	-
Receivables that are subject to separate provision for doubtful debts with no similar credit characteristic	3,522,883	44	-	-	2,076,072	61	-	-
Receivables with amount that are not individually significant but subject to separate assessment for provision for doubtful debts	41,791	1	(41,791)	100	41,791	1	(41,791)	100
Total	7,955,303	100	(121,791)	2	3,390,968	100	(41,791)	1

(6) Advances to suppliers

	31 December 2017	31 December 2016 (Restated)
Advances to suppliers for construction	325,586	203,438
Prepaid sales commissions	89,961	86,376
Prepayments for land use rights (i)	6,211,282	82,233
Total	6,626,829	372,047

- (i) As at 31 December 2017 and 31 December 2016, consideration for some pieces of land use rights acquired from land auction has been paid, but the transfer procedure has not been completed, therefore the paid consideration were recognized as prepayments for land use rights.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Advances to suppliers (Continued)

(a) The aging analysis of the advances to suppliers is as follows:

	31 December 2017		31 December 2016 (Restated)	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	6,481,108	98	337,448	91
Over 1 year	145,721	2	34,599	9
Total	6,626,829	100	372,047	100

The advances to suppliers with aging over 1 year are mainly advances to suppliers for construction. As progress of the projects had not reached the terms of settlement, the advances are not recognized as properties under development yet.

(7) Inventories

(a) Inventories are classified as follows:

	31 December 2017			31 December 2016 (Restated)		
	Book balance	Provision for inventory	Book value	Book balance	Provision for inventory	Book value
Properties under development	48,533,633	-	48,533,633	50,428,650	(15,685)	50,412,965
Properties held for sale	13,544,374	(47,670)	13,496,704	13,743,967	(57,913)	13,686,054
Land under development	362,186	-	362,186	446,846	-	446,846
Amounts due from clients for contract work (i)	2,978,291	-	2,978,291	299,691	-	299,691
Other	96,190	-	96,190	31,329	-	31,329
Total	65,514,674	(47,670)	65,467,004	64,950,483	(73,598)	64,876,885

(i) Construction contract

	31 December 2017	31 December 2016
Costs incurred plus gross profit recognized	2,978,291	299,691
Less: payment settled	-	-
	2,978,291	299,691
Amounts due from clients for contract work before provision for impairment	2,978,291	299,691
Less: Provision for impairment of amounts due from clients for contract work	-	-
Amounts due from clients for contract work – net	2,978,291	299,691

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Inventories (Continued)

(b) The movement of inventories' book balance in current year is as follows:

	31 December 2016 (Restated)	Additions	Reductions	31 December 2017
Properties under development	50,428,650	12,767,919	(14,662,936)	48,533,633
Properties held for sale	13,743,967	14,175,009	(14,374,602)	13,544,374
Land under development	446,846	90,575	(175,235)	362,186
Amounts due from clients for contract work	299,691	2,678,600	–	2,978,291
Other	31,329	427,451	(362,590)	96,190
Total	64,950,483	30,139,554	(29,575,363)	65,514,674

(c) Analysis of provisions for impairment of inventories are classified as follows:

	31 December 2016 (Restated)	Additions Provision	Reductions Reverse	Write-off	31 December 2017
Properties under development	15,685	–	–	(15,685)	–
Properties held for sale	57,913	11,928	(6,459)	(15,712)	47,670
Total	73,598	11,928	(6,459)	(31,397)	47,670

In 2017, the properties held for sale with the carrying amount of RMB14,184,431,000 (2016: RMB16,586,622,000) has been recognized as cost of sales.

As at 31 December 2017, the finance costs capitalized in the properties under development amounted to RMB5,356,850,000 (31 December 2016: RMB5,706,115,000). In 2017, the capitalization rate is 5.19% (2016: 5.79%).

As at 31 December 2017, certain land use rights in the properties under development amounted to RMB1,813,098,000 (31 December 2016: RMB3,394,742,000) have been mortgaged as security for long-term borrowings of RMB863,375,000 (31 December 2016: RMB1,604,190,000) (note 4(28)(c)).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(7) Inventories *(Continued)*

(c) *(Continued)*

As at 31 December 2017, certain land use rights and buildings in properties under development of the Group with a carrying amount of RMB7,180,777,000 (31 December 2016: RMB6,808,126,000) have been mortgaged as security for long-term borrowings of RMB2,226,000,000 (31 December 2016: RMB2,032,000,000) (note 4(28)(c)).

As at 31 December 2017, buildings in properties under development amounted to RMB640,214,000 (31 December 2016: Nil) have been mortgaged as security for long-term borrowings of RMB130,000,000 (31 December 2016: Nil) (note 4(28)(c)).

As at 31 December 2017, certain land use rights in properties under development of the Group with a carrying amount of RMB1,120,156,000 (31 December 2016: RMB4,202,310,000) have been mortgaged as security for long-term borrowings of RMB1,084,240,000 (31 December 2016: RMB1,341,640,000), which were guaranteed by the Company as well (note 4(28)(d)).

As at 31 December 2017, certain land use rights and buildings in properties under development with a carrying amount of RMB527,624,000 (31 December 2016: RMB3,765,248,000) have been mortgaged as security for long-term borrowings of RMB324,000,000 (31 December 2016: RMB1,460,400,000), which were guaranteed by the Company as well (note 4(28)(d)).

As at 31 December 2017, certain land use rights in properties under development with a carrying amount of RMB1,058,025,000 (31 December 2016: RMB1,058,025,000) have been mortgaged as security for long-term borrowings of RMB1,220,000,000 (31 December 2016: RMB1,220,000,000), which were guaranteed by Capital Group as well (note 4(28)(d)).

As at 31 December 2017, certain buildings in properties under development with a carrying amount of RMB640,214,000 (31 December 2016: Nil) have been mortgaged as security for long-term borrowings of RMB290,000,000 (31 December 2016: Nil), which were guaranteed by the Company as well (note 4(28)(d)).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Assets classified as held-for-sale

	31 December 2017			
	Book value	Fair value	Estimated disposal expense	Estimated disposal time
Long-term equity investments (i)	9,921	9,921	–	2018
Investment property (ii)	329,000	329,000	–	2018
Total	338,921	338,921	–	

	31 December 2016			
	Book value	Fair value	Estimated disposal expense	Estimated disposal time
Long-term equity investments (i)	9,921	9,921	–	2017

(i) The Group entered into an equity transfer agreement on 10% share of Hainan Boao Lecheng Real Estate Development Holding Ltd. (hereinafter "Hainan Boao Lecheng") with a consideration of RMB20,000,000(note 4(26)(i)). As such transaction has not been completed, the Group classified the book value of the investment amounted to RMB9,921,000 as assets classified as held-for-sale. The transaction was not completed as at 31 December 2017 for the delay of equity transfer procedure, although the Group has made continuing efforts and has taken all necessary actions. The Group sticks to the plan and intention of the transaction, and is negotiating with counterparty and strives to complete the transaction in 2018. As at 31 December 2017, the Group will still treat the long-term equity investment to Hainan Boao Lecheng as assets held-for-sale.

(ii) The Group decided to dispose of the Oxford International College operated by Jingjin Tongcheng (Tianjin) Investment Co., Ltd.(hereinafter "Jingjin Tongcheng") to Tianjin Haileybury International School (hereinafter "International School") due to the change of business plan. The board of directors of Jingjin Tongcheng approved the transfer agreement between Jingjin Tongcheng and International School as at 18 December 2017, and the above transaction will be completed in 2018. The above-mentioned assets satisfy the conditions of assets classified as held-for-sale, and are set out in balance sheet as current assets.

(9) Other current assets

	31 December 2017	31 December 2016 (Restated)
Prepaid taxes	2,851,861	2,836,696
Others	–	4,603
Total	2,851,861	2,841,299

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Available-for-sale financial assets

	31 December 2017	31 December 2016
Available-for-sale equity instruments		
– At fair value (a)	2,320,462	2,320,462
Available-for-sale equity instruments		
– At cost (b)	270,000	70,000
Less: impairment provision	–	–
Net	2,590,462	2,390,462

(a) As at 31 December 2017 and 31 December 2016, the available-for-sale equity instruments at fair value held by the Group are the right to yields and the right to remaining property in real estate development project of Tiancheng Yongtai held by the Group.

(b) Available-for-sale financial assets measured at cost are mainly equity of non-listed companies held by the Group, which have no active market quotation. The range of variation of fair value's reasonable estimates are wide and the various probability adopted to determine the fair value estimates can not be reasonably determined, resulting in fair value not reliably measured. The Group has no intention to dispose such investments yet.

As at 31 December 2017 and 31 December 2016, the Group holds 0.99% equity interests of the total shares of CDB Siyuan (Beijing) Investment Fund Ltd. (hereinafter "CDB Siyuan"), therefore the Group does not have significant influence on CDB Siyuan. The largest risk exposure equals to the book value of the shares the Group held on 31 December 2017, i.e., RMB50,000,000.

As at 31 December 2017 and 31 December 2016, the Group holds 10% equity interests of the total shares of Beijing Capital Financial Assets Transaction Information Service Co., Ltd. (hereinafter "Capital Financial Service"). Therefore the Group does not have significant influence or common control on Capital Financial Service. The largest risk exposure equals to the book value of the shares the Group held on 31 December 2017, i.e., RMB20,000,000.

As at 31 December 2017, the Group held 2.93% equity interests of the total shares of UCOMMUNE (Beijing) Venture Investment Co., Ltd. (hereinafter "UCOMMUNE"). Therefore the Group does not have significant influence on UCOMMUNE. The largest risk exposure equals the book value of the shares the Group held on 31 December 2017, i.e., RMB200,000,000.

The Group does not have significant influence on the investees mentioned above, therefore the investments are classified as available-for-sale financial instruments.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments

	31 December 2017	31 December 2016
Joint ventures (a)	3,035,136	1,720,019
Associates (b)	1,446,218	1,358,410
Total	4,481,354	3,078,429
Less: provision for impairment of long-term equity investments	-	-
Net	4,481,354	3,078,429

There is no significant restriction on sale of the long-term equity investments of the Group and collection of the investment income.

(a) Joint ventures

	Changes in this year									31 December 2017	Provision for impairment
	31 December 2016	Increase in investment	Decrease in investment	Share of net (loss)/ profit	Share of other compre- hensive income	Other equity movement	Cash dividend or profit declared	Impairment provided in current year	Others		
Shenyang Jitian Real Estate Co., Ltd. ("Shenyang Jitian")	106,154	-	-	(6,057)	-	-	-	-	(18)	100,079	-
Beijing Wanzhu Real Estate Co., Ltd. ("Beijing Wanzhu") (i)	55,905	-	-	2,990	-	-	-	-	-	58,895	-
Capital Jiaming (Note 5(2)(a)(i))	166,170	-	(165,744)	(426)	-	-	-	-	-	-	-
International School (ii)	-	-	-	176	-	-	-	-	-	176	-
Tianjin Tonghua Qiangyu Investment and Management Co., Ltd. ("Tonghua Qiangyu") (iii)	-	-	-	-	-	-	-	-	-	-	-
Zhuhai Hengqin Shoujuchuangxin Equity Fund Co., Ltd. Company ("Zhuhai Hengqin Fund Management Company") (iv)	53,776	-	-	(24,432)	-	-	-	-	-	29,344	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	Changes in this year									31 December 2017	Provision for impairment
	31 December 2016	Increase in investment	Decrease in investment	Share of net (loss)/ profit	Share of other compre- hensive income	Other equity movement	Cash dividend or profit declared	Impairment provided in current year	Others		
Zhuhai Hengqin Ruiyuan Weihua Equity Investment Fund (LLP) ("Zhuhai Hengqing Chengdu Weihua Fund") (Note 6(2)(a)(ii))	-	-	-	(38,522)	-	-	-	-	38,522	-	-
Shanghai Shoujia Real Estate Co., Ltd. ("Shanghai Shoujia")	396,700	-	-	153,169	-	-	-	-	-	549,869	-
Shanghai Henggu Real Estate Development Co., Ltd. ("Shanghai Henggu") (v)	117,208	-	-	1,447	-	-	-	-	-	118,655	-
Shanghai Songming Real Estate Development Co., Ltd. (Shanghai Songming) (vi)	96,446	-	-	2,855	-	-	-	-	-	99,301	-
Tongchuang Jinlong (vii)	20,272	-	(18,181)	(2,091)	-	-	-	-	-	-	-
Capital Qinglv (Kunshan) Real Estate Co. Ltd. ("Capital Qinglv")	240,732	-	-	63	-	-	-	-	-	240,795	-
Beijing Jinlong Yonghui Real Estate Co., Ltd. ("Jinlong Yonghui") (viii)	9,008	-	-	(3,557)	-	-	-	-	-	5,451	-
Beijing Dacheng Guangyuan Real Estate Co., Ltd. ("Dacheng Guangyuan") (ix)	6,594	-	-	(5,555)	-	-	-	-	-	1,039	-
Shouwan Yuye (Shanghai) Property Services Co., Ltd. ("Shouwan Yuye") (x)	-	-	-	-	-	-	-	-	-	-	-
Tianjin Lianjin Real Estate Development Co., Ltd. ("Tianjin Lianjin") (Note 6(2)(a)(iv))	28,400	-	-	(4,006)	-	-	-	-	-	24,394	-
Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi")	173,585	-	-	14,747	-	-	-	-	-	188,332	-
Shanghai Zhiyue Industrial Co., Ltd. ("Shanghai Zhiyue")	249,069	-	-	(440)	-	-	-	-	-	248,629	-

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	Changes in this year									31 December 2017	Provision for impairment
	31 December 2016	Increase in investment	Decrease in investment	Share of net loss	Share of other compre- hensive income	Other equity movement	Cash dividend or profit declared	Impairment provided in current year	Others		
Tianjin Yongyuan	-	9,003	-	-	-	-	-	-	(9,003)	-	-
Beijing Yuanchuang Xingmao Real Estate Co., Ltd. ("Yuanchuang Xingmao") (xi)	-	30,000	-	(365)	-	-	-	-	-	29,635	-
Beijing Chuangyuan Yicheng Real Estate Co., Ltd. ("Chuangyuan Yicheng") (xii)	-	50,000	-	(1,383)	-	-	-	-	-	48,617	-
Tianjin-Metro MTR Construction Co., Ltd. ("TJ-Metro MTR") (xiii)	-	1,300,000	-	(11,965)	-	-	-	-	-	1,288,035	-
Shanghai Zanchuang Sports Venues Management Co., Ltd. ("Shanghai Zanchuang") (xiv)	-	4,000	-	(110)	-	-	-	-	-	3,890	-
Tianjin Jiqing Real Estate Co., Ltd ("Tianjin Jiqing") (xv)	-	15,000	-	-	-	-	-	-	(15,000)	-	-
Total	1,720,019	1,408,003	(183,925)	76,538	-	-	-	-	14,501	3,035,136	-

The related information of the joint ventures are set out in note 6(2).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) Long-term equity investments *(Continued)*

(a) Joint ventures *(Continued)*

- (i) In June 2012, the Group acquired 30% equity interests of Beijing Wanzhu by capital injection. However, according to the Articles of Association of Beijing Wanzhu, the Group and other shareholders jointly control Beijing Wanzhu, therefore it is recognized as a joint venture.
- (ii) The net assets of International School are negative due to continuous losses in the past years. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2017, the Group recognized investment gains amounted to RMB8,710,000 (2016: the unrecognized investment losses amounted to RMB1,671,000). As at 31 December 2016, the accumulated investment losses that are not recognized amounted to RMB8,534,000. As at 31 December 2017, long-term equity investment amounted to RMB176,000.
- (iii) The Company holds 40% equity interests of Tonghua Qiangyu. According to the Articles of Association of the company, the Company and other shareholders jointly control Tonghua Qiangyu, therefore it is recognized as a joint venture. The net assets of Tonghua Qiangyu are negative due to the losses in 2016. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2017, the unrecognized investment losses amounted to RMB5,766,000. (31 December 2016: RMB10,526,000). As at 31 December 2017, the accumulated investment losses that are not recognized amounted to RMB16,292,000 (31 December 2016: RMB10,526,000).
- (iv) The Company holds 40% equity interests of Zhuhai Hengqin Fund Management Company. According to the Articles of Association of the company, the Group and other shareholders jointly control Zhuhai Hengqin Fund Management Company, therefore it is recognized as a joint venture.
- (v) The Group holds 28% equity interests of Shanghai Henggu, according to the Articles of Association of the company, the decisions of relevant operation activities of Shanghai Henggu require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (vi) The Group holds 28% equity interests of Shanghai Songming, according to the Articles of Association of the company, the decisions of relevant operation activities of Shanghai Songming require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (vii) The Group acquired 25% equity interests of Tongchuang Jinlong in 2016 and it is recognized as a joint venture. In July 2017, the Group signed a supplemental agreement with other shareholders of Tongchuang Jinlong to the cooperate agreement. The Group become able to determine relevant operation activities since the date the supplemental agreement was signed, therefore it is recognized as a subsidiary (Note 5(2)(a)).
- (viii) The Group holds 14.55% equity interests of Jinlong Yonghui, according to the Articles of Association of the company, the decisions of relevant operation activities of Jinlong Yonghui require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) Long-term equity investments *(Continued)*

(a) Joint ventures *(Continued)*

- (ix) The Group holds 12.5% equity interests of Dacheng Guangyuan, according to the articles of association of the company, the decisions of relevant operation activities of Dacheng Guangyuan require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (x) The Group holds 51% equity interests of Shouwan Yuye, according to the articles of association of the company, the decisions of relevant operation activities of Shouwan Yuyin require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture. The net assets of Shouwan Yuye are negative due to the losses. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2017, the unrecognized investment losses amounted to RMB6,908,000 (2016: RMB3,328,000). As at 31 December 2017, the accumulated unrecognized investment losses amounted to RMB10,236,000 (31 December 2016: RMB3,328,000).
- (xi) In 2017, the Group set up Yuanchuang Xingmao with other shareholders and required 30% equity interests of Yuanchuang Xingmao. The paid-in capital of Yuanchuang Xingmao amounted to RMB100,000,000. According to articles of association, the decisions of relevant operation activities of Yuanchuang Xingmao require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (xii) In 2017, the Group set up Chuangyuan Yicheng together with other shareholders and required 50% equity interests of it. The paid-in capital of Chuangyuan Yicheng amounted to RMB100,000,000. According to articles of association, the decisions of relevant operation activities of Chuangyuan Yicheng require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (xiii) In 2017, the Group purchased 49% equity interests of TJ-Metro MTR. According to articles of association, the decisions of relevant operation activities of TJ-Metro MTR require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (xiv) In 2017, the Group purchased 40% equity interests of Shanghai Zanchuang. According to articles of association, the decisions of relevant operation activities of Shanghai Zanchuang require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (xv) In 2017, the Group set up Tianjin Jiqing together with other shareholders and required 50% equity interests of it. The registered capital of Tianjin Jiqing amounted to RMB30,000,000. According to articles of association, the decisions of relevant operation activities of Tianjin Jiqing require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(b) Associates

	Change in this period									31 December 2017	Provision for impairment
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/ (loss)	Other compre- hensive income movement	Other equity movement	Cash dividend or profit declared	Impairment provided in current year	Others		
Beijing Golden Net Property Investment Adviser ("Golden Net") (i)	13,242	-	-	11	-	-	-	-	-	13,253	-
Beijing Sunshine City Commercial Investment Co., Ltd. ("Sunshine City Commercial")	190,541	-	-	30,710	-	-	-	-	-	221,251	-
Shenyang Capital Xinzi Real Estate Co., Ltd. ("Shenyang Xinzi")	267,209	-	-	2,433	-	-	-	-	-	269,642	-
Tianjin Xinqing Real Estate Co., Ltd. ("Tianjin Xinqing")	265,125	-	-	(12)	-	-	-	-	-	265,113	-
Tianjin Xinming	243,740	-	-	(36,088)	-	-	-	-	-	207,652	-
Beijing Financial Street International Hotel Co., Ltd. ("Financial Street Hotel") (ii)	-	-	-	-	-	-	-	-	-	-	-
Zhuhai Hengqin Ruiyuan Jialing Equity Investment Fund (LLP) ("Zhuhai Hengqin Ruiyuan Jialing Fund") (Note 6(2)(a)(i))	-	-	(2,401)	-	-	-	-	-	2,401	-	-
Capital Qinglv Culture Tourism (Kunshan) Co., Ltd. ("Capital Qinglv Culture")	15,029	-	-	(64)	-	-	-	-	-	14,965	-
Changsha Joy City Investment Co., Ltd. ("Changsha Investment") (iii)	40,000	33,300	-	(41)	-	-	-	-	-	73,259	-
Zhongguancun Integrated Circuit Garden Development Co., Ltd. ("Zhongguancun Integrated Circuit Garden") (Note 6(2)(a)(ix))	323,524	-	-	26,693	-	-	-	-	-	350,217	-
Nanchang Huachuang (Note 5(3)(a)(i))	-	-	-	(543)	-	-	-	-	31,409	30,866	-
Total	1,358,410	33,300	(2,401)	23,099	-	-	-	-	33,810	1,446,218	-

The related information of the associates are set out in note 6(2).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) Long-term equity investments *(Continued)*

(b) Associates *(Continued)*

- (i) The Company holds 14% equity interests of Golden Net and has significant influence on board of the directors of Golden Net, which is responsible for determining the financial policies in the ordinary course of business, therefore it is classified as an associate of the Group.
- (ii) According to the articles of association, the Group holds 59.5% equity interests in the Financial Street Hotel directly and indirectly, and enjoys 34% profit of the Financial Street Hotel. The Group takes one out of three seats in the board of directors, which is responsible for the financial decisions in the ordinary course of business, therefore the company is recognized as an associate.

The net assets of the Financial Street Hotel are negative due to continuous losses in the previous years. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment to zero other than negative. In 2017, the Group recognized investment income which amounted to RMB37,911,000 by equity method and recognized investment loss amounted to RMB37,911,000 accordingly, which were generated in previous years. As at 31 December 2017, the accumulated unrecognized investment losses amounted to RMB19,041,000 (31 December 2016: RMB56,952,000).

- (iii) The Group increased the capital to Changsha Investment by amount of RMB33,300,000.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(12) Investment properties**

	Completed investment properties	Investment properties under development measured at fair value	Investment properties under development measured at cost (ii)	Total
31 December 2016	7,543,451	6,854,000	748,808	15,146,259
Additions	8,163	1,487,731	1,528,596	3,024,490
Transferred from inventories (i)	59,675	–	–	59,675
Fair value changes recognized in other comprehensive income (Note 4(34))	1,055	–	–	1,055
(Losses)/Gains on change in fair value (Note 4(41))	(12,951)	286,934	–	273,983
Transfers	1,524,000	(402,665)	(1,121,335)	–
Disposal	(652)	–	–	(652)
Transfer to assets classified as held-for-sale	(329,000)	–	–	(329,000)
Decline from disposal of subsidiaries	–	–	(46,511)	(46,511)
Other decrease	–	–	(48,875)	(48,875)
31 December 2017	8,793,741	8,226,000	1,060,683	18,080,424

(i) In 2017, certain subsidiaries of the Group decided to change the purpose of certain properties from held-for-sale to long-term operating lease. The initial cost of such investment properties is the carrying value of the properties held for sale at transfer date amounting to RMB59,675,000.

(ii) As at 31 December 2017 and 31 December 2016, some of the investment properties of the Group are still under construction, of which the fair value can not be reliably determined but is expected to be measured reliably after the completion, therefore the Group measures such investment properties at cost until the date construction is completed or the date at which fair value becomes reliably measurable, when is earlier.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(12) Investment properties *(Continued)*

As at 31 December 2017, certain investment properties with book value of RMB9,002,960,000 (31 December 2016: RMB3,221,960,000) have been pledged for long-term borrowings of RMB2,930,000,000 (31 December 2016: RMB743,000,000) (note 4(28)(c)).

As at 31 December 2017, certain investment properties with book value of RMB1,273,682,000 (31 December 2016: RMB1,343,982,000) have been pledged for long-term borrowings of RMB885,000,000 (31 December 2016: RMB540,000,000), which were guaranteed by the Company as well (note 4(28)(d)).

As at 31 December 2017, certain investment properties with book value of RMB362,914,000 (31 December 2016: Nil) have been pledged for long-term borrowings of RMB200,000,000 (31 December 2016: Nil) which were guaranteed by the subsidiaries as well (note 4(28)(d)).

As at 31 December 2017, certain investment properties with book value of RMB576,000,000 (31 December 2016: Nil) have been pledged for short-term borrowings of RMB260,000,000 (31 December 2016: Nil)(note 4(19)(c)).

As at 31 December 2017, certain investment properties with book value of RMB1,644,000,000 (31 December 2016: Nil) have been pledged for long-term borrowings of RMB1,090,000,000 (31 December 2016: Nil), which were guaranteed by the Company and pledged by rights to earnings of the Group as well (note 4(28)(f)).

As at 2017, the capitalized financial costs in the investment properties under development amounted to RMB691,932,000 (31 December 2016: RMB703,056,000). The capitalization rate is 5.19% (2016: 5.79%).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Fixed assets

	Buildings	Motor vehicles	Office equipment	Total
Cost				
31 December 2016 (Restated)	127,270	62,326	68,362	257,958
Increase	13,200	1,851	23,266	38,317
Purchase	12,758	1,701	23,079	37,538
Others	442	150	187	779
Decrease	(6)	(5,565)	(1,301)	(6,872)
Dispose and retirement	(6)	(5,565)	(1,297)	(6,868)
Disposal of subsidiaries	-	-	(4)	(4)
31 December 2017	140,464	58,612	90,327	289,403
Accumulated depreciation				
31 December 2016 (Restated)	(21,236)	(48,983)	(53,109)	(123,328)
Increase	(2,679)	(3,413)	(13,787)	(19,879)
Accrument	(2,679)	(3,413)	(13,787)	(19,879)
Decrease	-	4,838	1,263	6,101
Dispose and retirement	-	4,838	1,262	6,100
Disposal of subsidiaries	-	-	1	1
31 December 2017	(23,915)	(47,558)	(65,633)	(137,106)
Provision for impairment				
31 December 2016	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
31 December 2017	-	-	-	-
Net book value				
31 December 2017	116,549	11,054	24,694	152,297
31 December 2016	106,034	13,343	15,253	134,630

In 2017, depreciation expense charged to administrative expenses amounted to RMB19,879,000 (2016: RMB19,489,000).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Long-term receivables

	31 December 2017	31 December 2016
Receivables due from joint ventures (Note 9(6))	–	196,500
Receivables due from associates (Note 9(6))	664,786	664,786
Australian Dollar (“AUD”) debt investment receivables (a)	3,715,179	2,421,192
Receivables from primary land development (b)	3,997,597	3,473,954
Subtotal	8,377,562	6,756,432
Less: Current portion of long-term receivables (c)	(5,175,724)	(3,957,937)
Net	3,201,838	2,798,495

- (a) This receivables is the principal and interest of the AUD investment in real estate development project in Australia, of which the principal amounted equivalent to RMB2,909,180,000 with annual interest rate from 17% to 20% as at 31 December 2017, and will mature from April 2018 to December 2021 respectively. The principal and interests will be recollected at the maturity date. Among which, principal and interest equivalent to RMB1,368,733,000 will be recollected before 31 December 2018, therefore it is reclassified as current portion of non-current assets as at 31 December 2017.
- (b) The receivables are mainly from Beijing Liujin Real Estate Co., Ltd. (hereafter “Liujin Real Estate”), which is mainly engaged in the primary land development (rebuilding project of shanty town) in Xihuangcun, Shijingshan District, Beijing. The primary development costs invested by Liujin Real Estate and the primary development profits calculated at a certain profit margin will be refunded by the district government after being examined by relevant authorities. As at 31 December 2017, the primary development costs and the relevant profits amounted to approximately RMB3,995,423,000 (31 December 2016: RMB3,473,954,000), of which, RMB3,208,911,000 will be recollected in 2018, such amount was reclassified as current portion of non-current assets as at 31 December 2017.
- (c) Receivables of Tianjin Banshan Renjia Real Estate Co., Ltd. (hereinafter “Tianjin Banshan”) due from Zhongguancun Integrated Circus Garden amounted to RMB598,080,000 (note 9(6)) will be recollected in 2018, such amount was reclassified as current portion of non-current assets.

(15) Goodwill

	31 December 2016	Increase	Decrease	31 December 2017
Goodwill				
Beijing Capital Grand Limited (“Capital Grand”)	172,137	–	–	172,137
Less: Impairment provision	–	(172,137)	–	(172,137)
Net	172,137	(172,137)	–	–

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Goodwill (Continued)

Goodwill listed above was generated from the acquisition of 65.1% equity interests of Capital Grand in 2013, as a result of expected economic effect of integrating and expanding the domestic and foreign financial platform of the Group and Capital Grand. The goodwill is attributed to the business operations held by the listing platform of Capital Grand. The recoverable amount of the goodwill is determined at the higher of the present value of estimated future cash flows from Capital Grand's each asset group and the market value of Capital Grand. The recoverable amount of Capital Grand's investment properties is based on the estimated market rent price, rents growth rate, interest rate, profit rate, and discount rate, etc., the recoverable amount of Capital Grand's inventories is the present value based on estimated sales price and cost related. As at 31 December 2017, according to the Group's recoverable amount of Capital Grand's each asset group, a full impairment provision for the goodwill is recognized.

(16) Deferred income tax assets and deferred income tax liabilities**(a) Deferred income tax assets before offsetting**

	31 December 2017		31 December 2016 (Restated)	
	Deductible temporary differences and deductible losses	Deferred income tax assets	Deductible temporary differences and deductible losses	Deferred income tax assets
Provision for impairment of assets	40,314	10,078	40,314	10,078
Accrued salaries and other cost and expenses	52,980	13,245	276,908	69,227
Accumulated losses	4,581,772	1,145,443	2,511,082	627,771
Internal unrealized profit elimination	207,260	51,815	438,764	109,691
Total	4,882,326	1,220,581	3,267,068	816,767
Including:				
Amount of reversal expected within 1 year (including 1 year)		24,760		117,781
Amount of reversal expected beyond 1 year		1,195,821		698,986
Total		1,220,581		816,767

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred income tax assets and deferred income tax liabilities (Continued)

(b) Deferred income tax liabilities before offsetting

	31 December 2017		31 December 2016 (Restated)	
	Taxable temporary differences	Differed income tax liabilities	Taxable temporary differences	Differed income tax liabilities
Withholding income tax	88,530	8,220	88,530	8,220
Available-for-sale financial assets	292,952	73,238	292,952	73,238
Business combination other than common control	697,632	174,408	696,948	174,237
Capitalized interest	3,503,676	875,919	3,056,796	764,199
Changes in fair value of investment properties recognized in profit or loss	5,310,984	1,327,746	5,058,159	1,264,540
Changes in fair value of investment properties recognized in other comprehensive income	521,964	130,491	614,555	153,639
Depreciation differences of investment properties	196,168	49,042	163,908	40,977
Primary land development	315,312	78,828	140,204	35,051
Total	10,927,218	2,717,892	10,112,052	2,514,101
Including:				
Amount of reversal expected within 1 year (including 1 year)		395,957		225,001
Amount of reversal expected beyond 1 year		2,321,935		2,289,100
Total		2,717,892		2,514,101

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred income tax assets and deferred income tax liabilities (Continued)

- (c) The deductible temporary differences and deductible losses with no deferred income tax assets recognized are as follows:

	31 December 2017	31 December 2016 (Restated)
Deductible losses	2,764,066	2,610,680
Deductible temporary differences	513,100	286,888
Total	3,277,166	2,897,568

- (d) The deductible losses with no deferred income tax assets recognized will be expired as follows:

	31 December 2017	31 December 2016 (Restated)
2017	–	290,826
2018	297,482	297,482
2019	532,248	532,248
2020	668,652	668,652
2021	821,472	821,472
2022	444,212	–
Total	2,764,066	2,610,680

- (e) The net balance of deferred income tax assets and liabilities after offsetting are as follows:

	31 December 2017		31 December 2016	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	242,065	978,516	161,571	655,196
Deferred income tax liabilities	242,065	2,475,827	161,571	2,352,530

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Other non-current assets

	31 December 2017	31 December 2016
Prepaid land deposits for investment properties	–	394,808

(18) Provision for impairment of assets

	31 December 2016 (Restated)	Additions	Decrease		31 December 2017
			Reversal	Write off	
Provisions for doubtful debt	48,791	80,000	–	–	128,791
Including:					
trade receivables	7,000	–	–	–	7,000
other receivables (note 4(5)(ii))	41,791	80,000	–	–	121,791
Provisions for inventories impairment (note 4(7)(c))	73,598	11,928	(6,459)	(31,397)	47,670
Provision for goodwill impairment (note 4(15))	–	172,137	–	–	172,137
Total	122,389	264,065	(6,459)	(31,397)	348,598

(19) Short-term borrowings

	Currency	31 December 2017	31 December 2016
Trust borrowings (a)	RMB	441,000	950,000
Secured borrowings, including:			
Guaranteed (b)	RMB	18,000	–
Mortgaged (c)	RMB	260,000	–
Pledged (d)	RMB	888,000	720,000
	USD	224,743	239,327
Total		1,831,743	1,909,327

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(19) Short-term borrowings *(Continued)*

(a) Trust borrowings

As at 31 December 2017, short-term borrowings of RMB441,000,000 (31 December 2016: RMB950,000,000) are unsecured loans obtained by the Company.

(b) Guaranteed borrowings

As at 31 December 2017, short-term borrowings of RMB18,000,000 (31 December 2016: Nil) are guaranteed by the Company.

(c) Mortgaged borrowings

As at 31 December 2017, short-term borrowings of RMB260,000,000 (31 December 2016: Nil) are secured by the mortgage of investment properties of the Group (Note 4(12)).

(d) Pledged borrowings

As at 31 December 2017, short-term borrowings of RMB888,000,000 (31 December 2016: RMB720,000,000) are pledged by gains from certain land use rights in properties under development of the Group.

As at 31 December 2017, short-term borrowings denominated in USD equivalent to RMB224,743,000 (31 December 2016: RMB239,327,000) are pledged by certain bank deposits of the Group.

As at 31 December 2017, the range of annual interest rate for short-term borrowings is from 2.43% to 7.15% (31 December 2016: 2.57% to 8.00%).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Trade payables

	31 December 2017	31 December 2016 (Restated)
Construction costs payable	8,878,360	7,143,052
Others	44,006	43,794
Total	8,922,366	7,186,846

(a) The aging analysis of trade payables are as follows:

	31 December 2017	31 December 2016 (Restated)
Within 1 year	8,332,605	5,858,185
Over 1 year	589,761	1,328,661
Total	8,922,366	7,186,846

Trade payables with aging over 1 year are mainly construction payment unsettled.

(21) Advances from customers

	31 December 2017	31 December 2016 (Restated)
Advances from sales of properties under development (i)	20,897,631	15,892,017
Other	216,200	38,963
Total	21,113,831	15,930,980

(i) Advances from sales of properties under development are mainly the amounts proceed from customers. As such properties are not available for usage at the end of the year, the corresponding revenue has not been recognized.

As at 31 December 2017, advances from customers with aging over 1 year amounted to RMB5,909,153,000 (31 December 2016: RMB2,168,010,000) are mainly advances from sales of properties under development.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Employee benefits payable

	31 December 2017	31 December 2016 (Restated)
Short-term employee benefits payable (a)	202,009	116,531
Defined contribution plans payable (b)	4,714	3,017
Total	206,723	119,548

(a) Short-term employee benefit payable

	31 December 2016 (Restated)	Additions	Reductions	31 December 2017
Wages and salaries, bonuses, allowances and subsidies	80,290	757,773	(710,630)	127,433
Staff welfare	–	3,305	(3,305)	–
Social security contributions	1,608	32,320	(32,438)	1,490
Including:				
Medical insurance	1,299	28,729	(28,978)	1,050
Work injury insurance	156	1,376	(1,346)	186
Maternity insurance	153	2,215	(2,114)	254
Housing funds	–	36,230	(35,914)	316
Labour union funds and employee education funds	9,594	8,576	(8,599)	9,571
Profit-sharing plan	7,985	31,000	–	38,985
Director's emoluments (Note 9(7))	16,848	8,130	(810)	24,168
Others short-term employee benefit payable	206	2,440	(2,600)	46
Total	116,531	879,774	(794,296)	202,009

As at 31 December 2017 and 31 December 2016, there is no defaulted payables in employee benefits.

The Group does not provide non-monetary benefit to employee.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Employee benefits payable (Continued)

(b) Defined contribution plans payable

	31 December 2016	Additions	Reductions	31 December 2017
Basic social pension security	2,642	63,066	(61,665)	4,043
Annuity	196	4,798	(4,550)	444
Unemployment insurance	179	2,653	(2,605)	227
Total	3,017	70,517	(68,820)	4,714

(23) Taxes payable

	31 December 2017	31 December 2016 (Restated)
Enterprise income tax payable	1,154,886	753,357
Land appreciation tax payable	1,330,654	1,047,402
VAT payable	291,725	344,369
Others	76,359	86,965
Total	2,853,624	2,232,093

(24) Interests payable

	31 December 2017	31 December 2016
Interests payable due to debentures payable	456,808	438,450
Interests payable due to long-term borrowings	117,754	81,565
Interests payable due to short-term borrowings	12,379	14,448
Interests payable due to long-term payables	25,091	13,391
Total	612,032	547,854

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Dividends payable

	31 December 2017	31 December 2016
Other equity instrument by Shanghai Xinghan Asset Management Co., Ltd. ("Xinghan Asset")	5,934	73,607
China Fortune International Trust Co., Ltd. ("China Fortune Trust")	4,793	–
Sino-Australian International Trust Co., Ltd ("Sino-Australian Trust")	75,350	–
Reco Ziyang Pte Ltd ("Reco Ziyang")	109,253	109,253
Senior perpetual securities	69,460	74,412
Total	264,790	257,272

(26) Other payables

	31 December 2017	31 December 2016 (Restated)
Payables to associates (Note 9(6))	126,047	108,513
Payables to joint ventures (Note 9(6))	970,849	685,389
Payables to other related parties (Note 9(6))	2,233,084	2,040,620
Collection of deeds tax and maintenance funds on behalf of government	199,477	158,557
Tender bond	23,010	51,071
Deposits from customers	143,507	131,566
Payables for routine business	355,964	1,200,793
Advances from equity transfer (i)	26,426	20,000
Payables to project investment (ii)	428,260	–
Payables for equity transfer (iii)	1,300,000	–
Others	337,295	491,580
Total	6,143,919	4,888,089

(i) As at 31 December 2017, this balance is consideration received from disposal of International School, amounting to RMB6,426,000, the advances from disposal of 10% equity interests of Hainan Boao Lecheng amounted to RMB20,000,000 (Note 4(8)(i)). As at 2016, the balance was advances from disposal of 20% equity interests of Hainan Boao Lecheng amounted to RMB20,000,000.

(ii) As at 31 December 2017, this balance is payables of Shanghai Lingyu due to Qidong Bihong Real Estate Ltd., which was used for cooperation project investment, and amounted to RMB428,260,000.

(iii) As at 31 December 2017, this balance is consideration of equity transfer of Tianjin Xingtai Jihong Real Estate Co., Ltd. (hereinafter "Xingtai Jihong") payable to MTR Property (Tianjin) No.1 Co., Ltd..

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Current portion of non-current liabilities

	Currency	31 December 2017	31 December 2016
Long-term borrowings due within one year (Note 4(28))	RMB	9,909,883	7,173,140
Debentures payable due within one year (Note 4(29))	RMB	11,283,158	5,493,862
Long-term payables due within one year (Note 4(30))	RMB	2,600,000	1,700,000
Equity instrument terminated in advance (Note 6(3)(b)(ii))	RMB	–	600,000
Total		23,793,041	14,967,002

(28) Long-term borrowing

	Currency	31 December 2017	31 December 2016
Unsecured borrowings (a)	RMB	5,423,651	6,823,813
Secured borrowings, including:			
– Guaranteed (b)	RMB	7,099,656	3,301,320
	HKD	1,084,508	742,040
– Mortgaged (c)	RMB	6,149,375	4,379,190
– Pledged	RMB	–	500,000
– Guaranteed, mortgaged (d)	RMB	4,003,240	4,562,040
– Guaranteed, pledged (e)	RMB	1,632,000	585,000
– Guaranteed, mortgaged, pledged (f)	RMB	1,090,000	300,000
– Borrowings from debt investment plan (g)	RMB	5,500,000	6,500,000
Subtotal		31,982,430	27,693,403
Less: Long-term borrowings due within one year including:			
Unsecured borrowings (a)	RMB	(1,030,000)	(1,080,000)
Secured borrowings:			
– Guaranteed (b)	RMB	(2,105,000)	(911,500)
	HKD	(1,084,508)	–
– Mortgaged (c)	RMB	(699,375)	(90,000)
– Guaranteed, mortgaged (d)	RMB	(644,000)	(2,006,640)
– Guaranteed, pledged (e)	RMB	(830,000)	(585,000)
– Guaranteed, mortgaged, pledged (f)	RMB	(17,000)	–
– Borrowings from debt investment plan (g)	RMB	(3,500,000)	(2,500,000)
Subtotal		(9,909,883)	(7,173,140)
Long-term borrowings – Net		22,072,547	20,520,263

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28) Long-term borrowings *(Continued)*

(a) Unsecured borrowings

As at 31 December 2017, bank borrowings of RMB5,423,651,000 (31 December 2016: RMB6,823,813,000) were unsecured borrowings obtained by the Group, with the interests paid quarterly. Among the borrowings above, principal of RMB1,030,000,000 should be repaid on or before 31 December 2018, such amount was classified as long-term borrowings due within one year in financial statement.

(b) Guaranteed borrowings

As at 31 December 2017, the guaranteed borrowings denominated in CNY and HKD equivalented to RMB8,184,164,000 (31 December 2016: RMB4,043,360,000), of which, principal amounted to RMB5,186,164,000 (31 December 2016: RMB3,343,360,000) were guaranteed by the Company; principal of RMB700,000,000 (31 December 2016: RMB700,000,000) are guaranteed by subsidiaries of the Group; principal of RMB2,298,000,000 (31 December 2016: Nil) are guaranteed by the Company and other third party. Among the borrowings above, interests of principal of RMB210,000,000 are paid monthly, interests of principal of RMB6,889,656,000 are paid quarterly and of RMB1,084,508,000 are paid semi-annually. The principal amounting to RMB3,189,508,000 should be repaid on or before 31 December 2018, and such amount was classified as long-term borrowings due within one year in financial statements.

(c) Mortgaged borrowings

As at 31 December 2017, the mortgaged borrowings amounted to RMB6,149,375,000 (31 December 2016: RMB4,379,190,000). Of which, bank borrowing of RMB863,375,000 (31 December 2016: RMB1,604,190,000) were secured by the mortgage of certain land use rights in properties under development of the Group (Note 4(7)), bank borrowing of RMB2,226,000,000 (31 December 2016: RMB2,032,000,000) were secured by the mortgage of certain land use and buildings in properties under development of the Group (Note 4(7)), bank borrowing of RMB130,000,000 (31 December 2016: Nil) were secured by the mortgage of buildings in properties under development of the Group (Note 4(7)), bank borrowing of RMB2,930,000,000 (31 December 2016: RMB743,000,000) were secured by the mortgage of certain investment properties of the Group (Note 4(12)).

Interests of principal above are payable quarterly and principal of RMB699,375,000 should be repaid before 31 December 2018, such amount was classified as long-term borrowings due within one year in financial statement.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28) Long-term borrowings *(Continued)*

(d) Guaranteed and mortgaged borrowings

As at 31 December 2017, the guaranteed and mortgaged borrowings of the Group amounted to RMB4,003,240,000 (31 December 2016: RMB4,562,040,000). Of which, RMB324,000,000 (31 December 2016: RMB1,460,400,000) were guaranteed by the Company and the mortgage of certain land use rights and buildings in properties under development of the Group (Note 4(7)); RMB1,084,240,000 (31 December 2016: RMB1,341,640,000) were guaranteed by the Company and the mortgage of certain land use rights in properties under development of the Group (Note 4(7)); RMB1,220,000,000 (31 December 2016: RMB1,220,000,000) were guaranteed by the Capital Group and the mortgage of certain land use right in properties under development of the Group (Note 4(7)); RMB885,000,000 (31 December 2016: RMB540,000,000) were guaranteed by the Company and the mortgage of investment properties of the Group (Note 4(12)). RMB290,000,000 (31 December 2016: Nil) were guaranteed by the Company and the mortgage of buildings in properties under development of the Group (Note 4(7)); RMB200,000,000 (31 December 2016: Nil) were guaranteed by subsidiaries of the Group and the mortgage of certain investment properties of the Group (Note 4(12)).

Among the borrowings above, the interests of RMB2,848,240,000 were payable quarterly and of RMB1,155,000,000 were payable monthly. The principal of RMB644,000,000 should be repaid before 31 December 2018, and such amount was classified as long-term borrowings due within one year in financial statement.

(e) Guaranteed and pledged borrowings

As at 31 December 2017, the guaranteed and pledged borrowings of the Group amounted to RMB1,632,000,000 (31 December 2016: RMB585,000,000). Of which, RMB1,482,000,000 (31 December 2016: RMB500,000,000) were guaranteed by the Company and the pledge of equity interests in certain subsidiaries of the Group; RMB150,000,000 (31 December 2016: Nil) were guaranteed by the Company and the pledge of right to gains.

Interests of the borrowings above were payable quarterly and the principal of RMB830,000,000 should be repaid before 31 December 2018, such amount was classified as long-term borrowings due within one year in financial statement.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28) Long-term borrowings *(Continued)*

(f) Guaranteed, mortgaged and pledged borrowings

As at 31 December 2017, the guaranteed, mortgaged and pledged borrowings of the Group amounted to RMB1,090,000,000 (31 December 2016: Nil) were guaranteed by the Company, the mortgage of certain investment properties of the Group (Note 4(12)) and the pledge of right to gains.

As at 31 December 2016, the guaranteed, mortgaged and pledged borrowings of the Group amounted to RMB300,000,000 were guaranteed by the Company and other third party, the mortgaged of certain land use rights in properties under development of the Group, the pledge of equity interests in certain subsidiaries of the Group, such amount has been repaid in 2017.

Interests of the borrowings above were payable annually and the principal of RMB17,000,000 should be repaid before 31 December 2018, such amount was classified as long-term borrowings due within one year in financial statement.

(g) Borrowings from debt investment plan

As at 31 December 2017, the Group received RMB5,500,000,000 (31 December 2016: RMB6,500,000,000) through certain debt investment plan. The borrowings were guaranteed by Capital Group with interest payable quarterly. All the principal should be repaid by installments before October 2019. Of which, the principal of RMB3,500,000,000 should be repaid before 31 December 2018, such amount was classified as long-term borrowings due within one year in financial statement.

As at 31 December 2017, the range of annual interest rate for long-term borrowings is 3.19% to 9.20% (31 December 2016: 3.19% to 9.50%).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Debentures payable

	31 December 2016	Issued in current year	Amortization at effective interest	Redemption in this year	31 December 2017	Including: interest accrued at book value in current year
Corporate bonds	17,936,189	995,400	21,909	-	18,953,498	789,463
Medium term notes	3,247,666	3,223,059	12,218	(3,000,000)	3,482,943	154,030
Other notes	1,295,519	-	2,745	-	1,298,264	68,250
Including: debentures payable due within one year	(5,493,862)	-	-	-	(11,283,158)	
Net	16,985,512				12,451,547	

Information about the debentures payable is as follow:

	Book value	Date of issuance	Duration	Issued amount
2 billion medium term note (i)	2,000,000	17/02/2014	Matured on 17/02/2017	1,965,029
250 million medium term note (i)	250,000	17/02/2014	5 years	245,627
1 billion medium term note (i)	1,000,000	04/04/2014	Matured on 17/02/2017	1,002,261
3 billion corporate bonds (viii)	3,000,000	27/05/2015	5 years	2,972,100
2.5 billion private corporate bonds (ii)	2,500,000	26/10/2015	3 years	2,490,600
2.5 billion private corporate bonds (iii)	2,500,000	09/12/2015	3 years	2,490,300
1.3 billion medium term note (iv)	1,300,000	30/07/2015	3 years	1,291,940
2.3 billion private corporate bonds (ix)	2,300,000	18/04/2016	5 years	2,291,650
700 million private corporate bonds (v)	700,000	18/04/2016	3 years	697,460
2.3 billion private corporate bonds (vii)	2,300,000	01/06/2016	3 years	2,290,800
1.7 billion private corporate bonds (x)	1,700,000	01/06/2016	5 years	1,693,200
2 billion private corporate bonds (vi)	2,000,000	19/07/2017	3 years	1,993,075
1 billion private corporate bonds (xi)	1,000,000	19/07/2017	5 years	996,538
400 million medium term note (i)	400,000	25/01/2017	3 years	396,006
100 million medium term note (i)	100,000	05/07/2017	3 years	99,238
500 million private corporate bonds (xii)	500,000	22/09/2017	1,096 days	496,900
500 million private corporate bonds (xiii)	500,000	10/11/2017	1,047 days	498,500

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) Debentures payable *(Continued)*

- (i) As at 10 February 2014, the Board of Directors of the Company announced the establishment of medium term notes and perpetual securities program. Under this program, Central Plaza Development Ltd. (hereinafter "Central Plaza") can offer and issue securities to professional and institutional investors, with a principal limitation of no more than USD1 billion (or equivalent in other currency units). Securities will be issued on different release date and with different terms. IFC and some of its subsidiaries provided guarantees and the Company entered into a Keepwell Deed for the medium-term notes. Pursuant to the Keepwell Deed, the Company will undertake to cause Central Plaza to remain solvent and going concern at all times, and guarantee both Central Plaza and IFC have sufficient liquidity to ensure timely repayment in respect of the bonds and the guarantee in accordance with the terms and conditions of the bonds and other obligations under the Keepwell Deed.

As at 17 February 2014, Central Plaza issued medium term notes amounted to RMB2,000,000,000 and received proceeds of RMB1,965,029,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 5.75% paid semiannually and with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. This medium term notes was fully repaid on 17 February 2017.

As at 17 February 2014, Central Plaza issued medium term notes amounted to RMB250,000,000 and received proceeds of RMB245,627,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 6.875% paid semiannually and with a maturity period of 5 years. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 4 April 2014, Central Plaza issued medium term notes amounted to RMB1,000,000,000 and received proceeds of RMB1,002,261,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 5.75% paid semiannually. The principal and the interests for the last period will be fully repaid on the maturity date. This medium term notes was fully repaid on 17 February 2017.

As at 25 January 2017, Central Plaza issue medium term notes amounted to USD400,000,000 and received proceeds of USD396,006,000, which is equivalent to RMB2,709,512,000, net of relevant issuance costs. As at 31 December 2017, net proceeds denominated in USD is equivalent to RMB2,576,788,000. The bond carries a fixed annual interest rate of 3.875% paid semiannually. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 5 July 2017, Central Plaza issued medium term notes amounted to USD100,000,000 and received proceeds of USD99,238,000, which is equivalent to RMB675,073,000, net of relevant issuance costs. As at 31 December 2017, net proceeds denominated in USD is equivalent to RMB646,271,000. The bond carries a fixed annual interest rate of 3.700% paid semiannually. The principal and the interests for the last period will be fully repaid on the maturity date.

- (ii) As at 6 October 2015, according to approval of Shanghai Stock Exchange (SSE letters [2015]1780), the Company was approved to issued non-public corporate bonds of no more than RMB5 billion to qualified investors in domestic China.

As at 26 October 2015, The Company issued non-public corporate bonds of RMB2,500,000,000 and received proceeds of RMB2,490,600,000 net of relevant issuance costs. The bond carries issuing interest rate of 4.70% with a maturity period of 3 years, and the interest will be paid annually. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date. As at 31 December 2017, it was reclassified as non-current liabilities due within one year in financial statements.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) Debentures payable *(Continued)*

- (iii) As at 9 December 2015, the Company issued nonpublic corporate bonds of RMB2,500,000,000 and received proceeds of RMB2,490,300,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 4.78% with a maturity period of 3 years, and the interest will be paid annually. The principal and the interests for the last period will be fully repaid on the maturity date. As at 31 December 2017, it was reclassified as non-current liabilities due within one year in financial statements.
- (iv) As at 30 July 2015, Rosy Capital Global Limited (hereinafter "Rosy Capital"), a wholly-owned subsidiary of Capital Grand, issued note amounted to RMB1,300,000,000 to the professional and institutional investors. Rosy Capital received proceeds of RMB1,291,940,000 net of relevant issuance cost. The notes carry a fixed annual interest rate of 5.25% paid semiannually and with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. Capital Grand provided unconditional and irrevocable guarantees and Capital Group entered into Keepwell Deed for the note. Pursuant to the Keepwell Deed, Capital Group will guarantee Rosy Capital have sufficient liquidity to ensure timely repayment in respect of the note and the guarantee payable in accordance with the terms and conditions of the note and other obligations under the Keepwell Deed. As at 31 December 2017, it is reclassified as non-current liabilities due within one year in financial statement.

As at 25 December 2015, according to approval of Shanghai Stock Exchange (SSE letters [2015]2599), the Group was approved to issued non-public corporate bonds no more than RMB10 billion to qualified investors in domestic China.
- (v) As at 18 April 2016, the Company issued private corporate bonds of RMB700,000,000 and received proceeds of RMB697,460,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4% per annum and with a maturity period of 3 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date. As at 31 December 2017, it is reclassified as non-current liabilities due within one year in financial statement.
- (vi) As at 19 July 2016, The Company issued private corporate bonds of RMB2,000,000,000 and received proceeds of RMB1,993,075,000 net of relevant issuance costs. The bond carries an issuing interest rate of 3.71% per annum and with a maturity period of 3 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date. As at 31 December 2017, it is reclassified as non-current liabilities due within one year in financial statement.
- (vii) As at 1 June 2016, The Company issued private corporate bonds of RMB2,300,000,000 and received proceeds of RMB2,290,800,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4.1% per annum and with a maturity period of 3 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date. As at 31 December 2017, it is reclassified as non-current liabilities due within one year in financial statement.
- (viii) As at 20 May 2015, the Company received "An approval to Beijing Capital Land Ltd. on public issuance of corporate bonds" ("Zhengjian [2015]896") from China Securities Regulatory Commission to approve the Company's request to issue domestic corporate bonds of no more than RMB3 billion. As at 27 May 2015, the Company issued domestic corporate bonds of RMB3,000,000,000 and received proceeds of RMB2,972,100,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 4.58% with a maturity period of 5 years, and the interest will be paid annually. The principal and the interests for the last period will be fully repaid on the maturity date.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) Debentures payable *(Continued)*

- (ix) As at 18 April 2016, the Company issued private corporate bonds of RMB2,300,000,000 and received proceeds of RMB2,291,650,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4.2% per annum and with a maturity period of 5 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the third year. The principal and the interests for the last period will be fully repaid on the maturity date.
- (x) As at 1 June 2016, The Company issued private corporate bonds of RMB1,700,000,000 and received proceeds of RMB1,693,200,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4.26% per annum and with a maturity period of 5 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the third year. The principal and the interests for the last period will be fully repaid on the maturity date.
- (xi) As at 19 July 2016, The Company issued private corporate bonds of RMB1,000,000,000 and received proceeds of RMB966,538,000 net of relevant issuance costs. The bond carries an issuing interest rate of 3.84% per annum with a maturity period of 5 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the third year. The principal and the interests for the last period will be fully repaid on the maturity date.
- (xii) As at 22 September 2017, The Company issued private corporate bonds of RMB500,000,000 and received proceeds of RMB496,900,000 net of relevant issuance costs. The bond carries an issuing interest rate of 5.00% per annum and with a maturity period of 1096 days. The interest will be paid quarterly and the principal will be fully repaid by instalments.
- (xiii) As at 10 November 2017, The Company issued private corporate bonds of RMB500,000,000 and received proceeds of RMB498,500,000 net of relevant issuance costs. The bond carries an issuing interest rate of 5.70% per annum and with a maturity period of 1047 days. The interest will be paid quarterly and the principal will be repaid by instalments.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Long-term payables

	31 December 2017	31 December 2016
UBS SDIC Capital Management Co., Ltd. ("UBS SDIC") (a)	1,400,000	3,100,000
Pingan Trust Co. Ltd. ("Pingan Trust") (b)	4,800,000	2,400,000
Huanengguicheng Trust Co. Ltd. ("Huaneng Trust") (c)	1,200,000	–
Zhongjian Investment Trust Co. Ltd. (Zhongjian Investment Trust) (d)	1,500,000	–
Others	5,775	6,675
Subtotal	8,905,775	5,506,675
Less: Long-term payable due within one year		
UBS SDIC (a)	(1,400,000)	(1,700,000)
Pingan Trust (b)	(1,200,000)	–
Subtotal	(2,600,000)	(1,700,000)
Net	6,305,775	3,806,675

(a) As at 31 December 2017, the borrowing principal due to UBS SDIC of the Group, which is RMB1,400,000,000 (31 December 2016: RMB2,800,000,000) were guaranteed by the Company with maturity of 38 months, and will be repaid before July 2018, therefore it was classified as current portion of non-current liabilities as at 31 December 2017. As at 31 December 2016, RMB300,000,000 were guaranteed by the Company and secured by the mortgage of certain land use rights in properties under development of the Group, and was repaid in May 2017.

(b) As at 31 December 2017, this amount was the borrowing principal due to Pingan Trust. RMB1,200,000,000 (31 December 2016: RMB2,400,000,000) were guaranteed by the Company and pledged by equity interests of certain subsidiary of the Group with a maturity of 3 years, in which, RMB1,200,000,000 should be repaid in August 2018, therefore it was classified as current portion of non-current liabilities as at 31 December 2017.

As at 31 December 2017, borrowing principal due to Pingan Trust increased by RMB3,600,000,000 (31 December 2016: Nil), with a maturity period of 2 years, and were guaranteed by the Company.

(c) As at December 2017, RMB1,200,000,000 (31 December 2016: Nil) was the borrowing principal due to Huaneng Trust, guaranteed by the Company, with a maturity of 36 months.

(d) As at December 2017, RMB1,500,000,000 (31 December 2016: Nil) was the borrowing principal due to Zhongjian Investment Trust, guaranteed by the Company, with a maturity of 3 years.

As at 31 December, the range of annual interest rates for long-term payables is 4.275% to 7.3% (31 December 2016: 7% to 9%).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Derivative financial liabilities

	31 December 2017	31 December 2016
Derivative financial liabilities		
Forward exchange contracts		
– cash flow hedges	138,572	178,724

In order to avoid the exchange risk of AUD creditor's investments (Note 4(14)(a)) and some of the HKD borrowings, the Group has purchased foreign exchange contracts matched with the maturity date of the cash flow. As at 31 December 2017, the value of the AUD and HKD forward contracts are AUD908,708,000 and HKD825,000,000 (31 December 2016: AUD605,880,000 and HKD825,000,000).

(32) Share capital

	31 December 2016	Changes in this year					Subtotal	31 December 2017
		Issue of shares	Allotment	Transferred from reserve	Others			
Non-outstanding shares								
held by domestic legal entity	1,649,206	-	-	-	-	-	1,649,206	
held by oversea legal entity	357,998	-	-	-	-	-	357,998	
Outstanding shares – H share	1,020,756	-	-	-	-	-	1,020,756	
Total	3,027,960	-	-	-	-	-	3,027,960	

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(32) Share capital** *(Continued)*

	31 December 2015	Changes in this year				Subtotal	31 December 2016
		Issue of shares	Allotment	Transferred from reserve	Others		
Non-outstanding shares							
held by domestic legal entity	1,649,206	-	-	-	-	-	1,649,206
held by overseas legal entity	357,998	-	-	-	-	-	357,998
Outstanding shares – H share	1,020,756	-	-	-	-	-	1,020,756
Total	3,027,960	-	-	-	-	-	3,027,960

(33) Capital reserve

	31 December 2016	Additions	Reductions	31 December 2017
Share premium	716,380	-	(62,728)	653,652

	31 December 2015 (Restated)	Additions	Reductions	31 December 2016
Share premium	3,540,247	-	(2,823,867)	716,380

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Other comprehensive income

	Other comprehensive income in balance sheet		Other comprehensive income in income statement for the year ended 31 December 2017					
	31 December 2016	Attribute to owners of the Company after taxes	31 December 2017	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to owners of the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter:								
- Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter:								
- Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method	31,984	-	31,984	-	-	-	-	-
- Changes in fair value of investments properties transferred from inventories (a)	460,916	(69,445)	391,471	1,055	(93,649)	23,149	(69,445)	-
- Changes in fair value of derivative financial liabilities	(123,368)	112,521	(10,847)	149,745	283	(37,507)	112,521	-
- Difference on translation of foreign currency financial statements	875	(324)	551	(324)	-	-	(324)	-
Total	370,407	42,752	413,159	150,476	(93,366)	(14,358)	42,752	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Other comprehensive income (Continued)

	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the year ended 31 December 2016				
	31 December 2015	Attribute to owners of the Company after taxes	31 December 2016	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to owners of the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter:								
- Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter:								
- Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method	-	31,984	31,984	31,984	-	-	31,984	-
- Changes in fair value of available-for-sale financial assets	8,087	(8,087)	-	-	(10,783)	2,696	(8,087)	-
- Changes in fair value of investments properties transferred from inventories (a)	566,688	(105,772)	460,916	5,914	(146,943)	35,257	(105,772)	-
- Changes in fair value of derivative financial liabilities	(28,181)	(95,187)	(123,368)	(126,916)	-	31,729	(95,187)	-
- Difference on translation of foreign currency financial statements	(9,053)	9,928	875	9,928	-	-	9,928	-
Total	537,541	(167,134)	370,407	(79,090)	(157,726)	69,682	(167,134)	-

- (a) In 2017, the Group sold some of the properties in inventories, of which fair value gains previously recognized in other comprehensive income amounted to RMB70,218,000 (2016: 110,207,000) was accordingly transferred into profit and loss in this year.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Surplus reserve

	31 December 2016	Additions	Other adjustment	Reductions	31 December 2017
Statutory surplus reserve	543,169	27,736	–	–	570,905

	31 December 2015	Additions	Other adjustment	Reductions	31 December 2016
Statutory surplus reserve (i)	495,150	43,363	4,656	–	543,169

In accordance with the PRC Company Law and the Company's Articles of Association and resolution of the board of directors, the Company should appropriate 10% of profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company appropriate discretionary surplus reserve of RMB27,736,000 in 2017 (2016: RMB43,363,000).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve for 2017 and 2016.

- (i) In March 2016, the Company losses the control over Shangbodi, a former subsidiary of the Company, and Shangbodi became the joint venture of the Company. The Company changes the accounting methods of the long-term equity investment on Shangbodi from cost method to equity method accordingly, and recognised investment income based on the share portion from the net profit of the investee in the previous years using equity method, and appropriated surplus reserve amounted to RMB4,656,000 as a result.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(36) Retained earnings**

	2017	2016 (Restated)
Retained earnings at the beginning of the year (before adjustment)	9,109,165	7,768,550
Adjustment (a)	–	(23,332)
Retained earnings at the beginning of the year (after adjustment)	9,109,165	7,745,218
Plus: profit attributable to owners of the Company	2,112,580	2,017,558
Less: appropriation of statutory surplus reserve	(27,736)	(48,019)
Dividends to common share (b)	(605,592)	(605,592)
Dividends to perpetual capital securities	(95,736)	–
Others	(115,702)	–
Retained earnings at the end of the year	10,376,979	9,109,165

(a) In 2017, retained earnings at the beginning of the year 2016 was reduced by RMB 23,332,000 arising from the business combination involving enterprises under common control.

(b) On the Board meeting held on 20 February 2017, the directors proposed a final dividend of RMB0.20 per share to the shareholder, the total amount payable will be RMB605,592,000 based on the Company's total issued number of shares which is 3,027,960,000. Such distribution of profit scheme has been proposed as resolution at the Annual General Meeting of shareholders held on 20 April 2017.

On the Board meeting held on 26 February 2018, the directors proposed a final dividend of RMB0.21 per share to the shareholder, the total amount payable will be RMB635,872,000 based on the Company's total issued number of shares which is 3,027,960,000. Such distribution of profit scheme will be proposed as resolution at the Annual General Meeting of shareholders to be held on 13 April 2018.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales

	2017	2016
Revenue from main operations (a)	21,136,876	20,191,574
Revenue from other operations (b)	155,164	157,830
Total	21,292,040	20,349,404

	2017	2016 (Restated)
Cost of sales from main operations (a)	15,165,479	16,839,119
Cost of sales from other operations (b)	49,934	31,451
Total	15,215,413	16,870,570

(a) Revenue and cost of sales from main operations

	2017		2016 (Restated)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of properties	17,850,954	14,184,431	19,598,659	16,586,622
Consulting services	26,078	–	26,169	–
Primary land development	2,906,146	971,456	264,369	242,535
Rental income of investment properties	353,698	9,592	302,377	9,962
Total	21,136,876	15,165,479	20,191,574	16,839,119

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	2017		2016	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of investment properties	765	639	-	-
Temporarily rental income	44,365	378	113,360	204
Other operations	110,034	48,917	44,470	31,247
Total	155,164	49,934	157,830	31,451

(38) Taxes and surcharges

	2017	2016 (Restated)	Standards
Business tax	180,978	697,189	Note 3
Land appreciation tax	880,633	532,580	Note 3
Others	200,649	205,238	
Total	1,262,260	1,435,007	

(39) Financial expense/(income) – net

	2017	2016 (Restated)
Interest expense	3,335,385	3,515,807
Including: Bank borrowings	1,422,182	1,615,995
Corporate bonds	1,048,615	903,916
Other liabilities	864,588	995,896
Less: cost of capitalized interest	(2,007,868)	(2,602,630)
Interest expense – net	1,327,517	913,177
Interest income	(1,216,089)	(1,006,816)
Exchange gain or loss – net	(137,419)	(8,854)
Others	59,727	44,129
Net	33,736	(58,364)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Financial expense/(income) – net (Continued)

Interest -expenses analyzed by the maturity between bank and other borrowings are as follows:

	2017		2016	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within 5 years	1,335,660	1,913,203	1,458,850	1,899,812
Not wholly repayable within 5 years	86,522	–	157,145	–
Total	1,422,182	1,913,203	1,615,995	1,899,812

(40) Expense by nature

Cost of sales, selling and distribution expenses and general and administrative expenses in the income statement classified by nature are as follows:

	2017	2016 (Restated)
Costs of properties sold	14,012,002	16,376,026
Costs of primary land development	971,456	242,535
Wages, social security and welfare	679,175	443,776
Administrative office expenses	156,880	127,593
Depreciation and amortization	27,989	53,505
Travel and entertainment expenses	20,144	19,213
Intermediary service fee	104,832	75,051
Audit fee	11,922	12,651
Audit related or non-audit services expenses	3,976	5,747
Marketing and commission fee	443,109	515,400
Cost of operation of investment properties	9,592	5,434
Others	73,709	82,850
Total	16,514,786	17,959,781

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) (Losses)/Gains on changes in fair value

	2017	2016
Investment properties subsequently measured at fair value (Note 4(12))	273,983	1,538,414
Financial assets at fair value through profit or loss	(355,110)	(11,125)
Derivative financial instrument (i)	(8,795)	(9,089)
Realization of fair value changes with sale of properties	(21,160)	(33,075)
Total	(111,082)	1,485,125

- (i) The derivative financial instrument is the exchange forward contract accounted by cash flow hedging (Note 4(31)), for the year ended 31 December 2017, the losses on changes in fair value amounted to RMB2,140,000 (2016: gains RMB146,000) represent the ineffective portion of such cash flow hedging.

(42) Investment income

	2017	2016
Share of net profit or loss of investees under equity method (Note 4(11))	99,637	582,988
Gains from disposal of subsidiaries (Note 5(3))	13,123	84,801
Gains from deemed disposal in the business combination (Note 5(2)(b))	98,252	11,302
Gains from disposal of joint venture and associate	–	617,485
Gains from disposal of available-for-sale financial assets	–	14,452
Dividend income from available-for-sale financial assets	7,654	1,845
Gains from disposal of trading financial assets	133,988	–
Others	–	4,766
Total	352,654	1,317,639

(43) Asset impairment losses

	2017	2016
Provision for doubtful debts (Note 4(5)(ii))	80,000	–
Provision for impairment of goodwill (Note 4(15))	172,137	–
Provision for impairment of inventories (Note 4(7))	5,469	772
Total	257,606	772

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Other income

	2017	2016
Financial incentives of LAT	67,000	–
Compensation for opening expenses (i)	121,516	–
Others	608	–
Total	189,124	–

- (i) In 2016, Jiangxi Capital Outlets Real Estate Co., Ltd. (hereinafter “Jiangxi Outlets”) received government grants of compensation for opening expenses, amounting to RMB 121,516,000. In 2017, Outlets project held by Jiangxi Outlets came into operation, and the government grants satisfied the condition recognized as other income in consolidated income statement.

(45) Gains from disposal of assets

	2017	2016
Gains from government repurchase of land use rights (i)	181,048	–
(Losses)/gains from disposal of other non-current assets	(46)	105
Total	181,002	105

- (i) In 2017, the Group entered into an agreement with Huzhou Taihu Tourism Resort Management Committee, a local governmental organization, pursuant to which the Management Committee agreed to repurchase a piece of land, with a cash consideration of RMB181,048,000. The difference between the consideration and the cost of the land use rights is recognized in gains from disposal of assets.

(46) Non-operating income

	2017	2016 (Restated)
Excess of the fair value of the equity interests of companies acquired over the total consideration (Note 5(2)(b))	850	–
Government grants	1,905	53,347
Non-payable default fine	–	70,084
Others	16,618	7,504
Total	19,373	130,935

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(47) Non-operating expense**

	2017	2016 (Restated)
Donation expense	1,442	858
Delaying payment fine	4,086	3,577
Others	9,878	3,109
Total	15,406	7,544

(48) Income tax expense

PRC income tax is computed according to the relevant laws and regulations in the PRC. For the year ended 31 December 2017. The applicable PRC income tax rate is 25% (2016: 25%).

According to the current tax law in Hong Kong, profit tax in Hong Kong is calculated by 16.5% of taxable profit. Except for several subsidiaries in Hong Kong are subject to Hong Kong profits tax, other subsidiaries in Hong Kong have no Hong Kong taxable profits.

Withholding income tax should be charged against income from taxable dividends of non-resident enterprises in mainland China and investments disposal in mainland China with the tax rate of 5%–10% according to the relevant laws and regulations in the PRC.

The amount of taxation charged to the consolidated income statement represents:

	2017	2016
Current income tax based on tax law and related regulations	1,219,566	509,367
Deferred income tax	(177,046)	565,107
Total	1,042,520	1,074,474

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(48) Income tax expense** *(Continued)*

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses are listed below:

	2017	2016 (Restated)
Total profit	3,839,317	3,938,468
Income tax expenses calculated at applicable tax rates (25%)	959,829	984,617
Impact of withholding income tax rate	–	10,050
Tax differences of investees at different rate	833	(962)
Share of net profit of joint ventures and associates under equity method	(24,909)	(145,747)
Other profit not subject to tax	(21,293)	(143,328)
Write off deferred income tax assets recognized in previous years	54,920	–
Gains from internal equity transfer transaction subject to tax	–	188,073
Distribution eligible for tax deduction (i)	(104,516)	(8,894)
Utilisation of deductible temporary differences which no deferred income tax asset was recognized in previous years	(7,849)	(22,851)
Deductible losses for which no deferred income tax asset was recognized	111,053	205,368
Impairment provision for which no deferred income tax asset was recognized in the current year	64,402	193
Expenses, costs and losses not deductible for tax purposes	10,050	7,955
Income tax expense	1,042,520	1,074,474

(i) Such amount represents deductible tax expenses of equity instrument issued by certain subsidiaries.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(49) Earnings per share****(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the consolidated net profit attributable to owners of the Company by the weighted average number of ordinary shares issued during the period:

	2017	2016 (Restated)
Consolidated net profit attributable to owners of the Company	2,112,580	2,017,558
Less: Distribution to other equity instruments (i)	(95,736)	–
Consolidated net profit attributable to ordinary shareholders of the Company	2,016,844	2,017,558
Weighted average number of ordinary shares issued (thousands shares)	3,027,960	3,027,960
Basic earnings per share (RMB yuan per share)	0.67	0.67

(i) According to statement of related terms and regulations of equity instrument in Note16(11), basic earnings per share is calculated by deducting equity instrument distribution from net profit attributable to owners of the Company which is amounted to RMB95,736,000.

(b) Diluted earnings per share is calculated by dividing the consolidated net profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares issued during the period based on the dilutive potential common shares adjustment. Diluted earnings per share are equal to the basic earnings per share since the Company has no dilutive potential common shares during the year in 2017 and 2016.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) Notes to the cash flow statements

(a) Cash received relating to other investing activities

	2017	2016 (Restated)
Return of operations	232,147	1,008,914
Interest income from bank	152,569	246,262
Government grants	68,726	53,347
Total	453,442	1,308,523

(b) Cash received relating to other operating activities

	2017	2016 (Restated)
Cash paid to land guarantee fund	–	755,610
Sales and market expense	232,874	231,505
Sales commission and agency fee	330,965	376,840
Administrative office expense	291,661	248,815
Default fine and delaying payment fine	4,086	3,577
Cash paid to operations	190,913	249,714
Commission fee and others	13,618	57,278
Total	1,064,117	1,923,339

(c) Cash received relating to other investing activities

	2017	2016 (Restated)
Cash received from acquisition of subsidiaries	457,667	–
Recovered receivables and interests from primary land development	1,291	2,377
Returns of principals and interests from creditors' investments	642,271	464,562
Principals and interests received from related parties	2,385,976	1,545,597
Others	268,282	4,298
Total	3,755,487	2,016,834

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) Notes to the cash flow statements (Continued)

(d) Cash paid relating to other investing activities

	2017	2016 (Restated)
Cash paid for cooperation projects	1,842,524	–
Cash paid for primary land development	205,283	888,482
Cash paid for creditors' investments	1,159,564	847,501
Cash paid to related parties	4,406,855	1,315,824
Performance guarantee paid for acquisition of TJ-Metro MTR	1,600,000	–
Total	9,214,226	3,051,807

(e) Cash received from other financing activities

	2017	2016 (Restated)
Borrowings from related parties	2,787,825	3,204,539
Proceeds of other long-term borrowings by subsidiaries	6,734,035	–
Others	414,500	–
Total	9,936,360	3,204,539

(f) Cash paid relating to other financing activities

	2017	2016 (Restated)
Proceeds repaid to borrowings from transferring creditor's rights by subsidiaries	2,900,000	1,100,000
Proceeds paid for borrowings from related parties	2,250,532	1,497,802
Others	1,279,890	1,400
Total	6,430,422	2,599,202

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(51) Supplemental information of cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2017	2016 (Restated)
Net profit	2,796,797	2,863,994
Add: Provisions for asset impairment (Note 4(43))	257,606	772
Depreciation of fixed assets (Note 4(13))	19,879	19,489
Amortization of long-term prepaid expenses	30,957	34,016
Gains on disposal of fixed assets, investment properties and other long-term assets	(69,762)	(105)
Interest expenses	126,579	143,769
Loss/(gain) of change in fair value	89,922	(1,518,200)
Investment income (Note 4(42))	(352,654)	(1,317,639)
Excess of the fair value of the equity interests of companies acquired over the total consideration (Note4(46))	(850)	-
Increase in deferred income tax assets	(306,868)	(178,692)
(Decrease)/increase in deferred income tax liabilities	(3,763)	617,740
Decrease/(increase) in inventories	4,044,223	(4,002,439)
Decrease in restricted cash	56,082	545,677
Increase in operating receivables	(7,886,322)	(1,191,471)
Increase in operating payables	5,651,963	3,007,082
Net cash flows generated from/(used in) operating activities	4,453,789	(976,007)

In 2017 and 2016, there were no significant investing and financing activities not relating to cash receipt and disbursement.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(51) Supplemental information of cash flow statement (Continued)

(a) Change of cash and cash equivalent

	2017	2016 (Restated)
Cash at the end of year	18,049,837	16,558,753
Less: cash at the beginning of year	(16,558,753)	(18,204,114)
Increase/(Decrease) in the year	1,491,084	(1,645,361)

(b) Dispose or acquisition of subsidiaries

Cash flow information of disposal or acquisition of subsidiaries by the Group in 2017 and 2016 is disclosed in note 5(3).

(c) Cash and cash equivalent

	31 December 2017	31 December 2016 (Restated)
Cash at bank and on hand (Note 4(1))	21,038,178	17,926,073
Including: Cash on hand	710	1,023
Deposits that can be drawn on demand	18,049,127	16,557,730
Less: restricted cash at bank	(2,988,341)	(1,367,320)
Cash and cash equivalent at year end	18,049,837	16,558,753

5. CHANGES OF CONSOLIDATION SCOPE

(1) Business combinations involving enterprises under common control

(a) Business combinations involving enterprises under common control in 2017:

Acquiree	Equity ratio acquired	The criteria	Combination date	The basis for combination date	Revenue	Net loss	Revenue for 2016	Net loss for 2016	Operating	Net
					from 1 January 2017 to combination date	from 1 January 2017 to combination date			cash flow from 1 January 2017 to combination date	cash flow from 1 January 2017 to combination date
Shenyang Haohua (i)	100%	Under common control before and after the transaction	March 2017	Completion in industrial registration	-	(3)	-	(14,304)	(3,027)	(196)

- (i) In June 2016, the Group entered into an equity transfer contract with Capital Group to acquire the 100% equity interests of Shenyang Haohua. Shenyang Haohua was acquired by Beijing Capital Investment from a third party in June 2015. The transaction was completed in March 2017.

As the Group and the acquiree mentioned above are under common control of Capital Group, the acquisitions were recognized as business combination involving enterprises under common control. The financial statements of the Group for the year ended 31 December 2016 has been restated.

(b) Combination cost and book value of net assets acquired

	Shenyang Haohua
Combination Costs	
Consideration paid in cash	275,556
Less: cash for repay debt of acquiree	(275,228)
Total combination costs	328
Add: Book value of the identifiable net liabilities acquired	14,036
Reduction of capital reserve	14,364

5. CHANGES OF CONSOLIDATION SCOPE *(Continued)***(1) Business combinations involving enterprises under common control** *(Continued)***(c) Book value of assets and liabilities at combination date are as follows:***Shenyang Haohua*

	Combination date Book value	31 December 2016 Book value
Cash at bank and on hand	131	326
Other receivables	2,261	2,933
Inventories	283,088	333,856
Other current assets	–	1,826
Fixed Assets	140	187
Less: Trade payables	6,773	41,726
Other payables	261,791	286,698
Advances from customers	24,521	24,571
Taxes payables	6,571	156
Employee benefit payables	–	10
Net liabilities	(14,036)	(14,033)
Less: Non-controlling interests	–	–
Net liabilities acquired	(14,036)	(14,033)

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(2) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in 2017

Acquiree	Acquisition date	Acquisition cost	Equity ratio acquired	Acquisition method	Combination date	The basis for combination date	Revenue from combination date to end of the year	Profit/(loss) from combination date to end of the year	Operating cash flow from combination date to end of the year	Net cash flow from combination date to end of the year
Capital Jiaming (i)	October 2017	175,000	35%	Acquisition of equity interests	October 2017	Equity interests closing date	-	100	(18,781)	(3,673)
Tongchuang Jinlong (Note 4(11)(a)(viii))	July 2017	-	0%	Sign of supplemental agreement	July 2017	Supplemental agreement signing date	1,231,621	(73,723)	117,666	(182,349)

- (i) In October 2017, the Group entered into agreement with other shareholders to purchase 35% equity interests of Capital Jiaming. Since the Group hold 70% equity interests of Capital Jiaming and acquired control after the transaction, this transaction was treated as a business combination.

(b) Combination cost and goodwill recognized:

Combination cost and goodwill recognized in 2017:

	Capital Jiaming	Tongchuang Jinlong
Combination costs		
Consideration paid in cash	175,000	-
Fair value of the equity interests originally held	175,851	106,326
Total combination costs	350,851	106,326
Less: Fair value of the identifiable net assets acquired	351,701	106,326
Excess of the fair value of the equity interests of companies acquired over the total consideration	(850)	-
Fair value of the equity interests originally held	175,851	106,326
Less: Book value of the equity interests originally held (Note 4(11))	(165,744)	(18,181)
Gains from remeasurement (Note 4(42))	10,107	88,145

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(2) Business combinations involving enterprises not under common control
(Continued)

(c) Assets and liabilities of acquiree at combination date are as follows:

(i) Capital Jiaming

	Purchase date fair value	Purchase date book value	31 December 2016 Book value
Cash at bank and on hand	11,150	11,150	30,739
Advances to suppliers	10,768	10,768	10,768
Other receivables	86,182	86,182	86,181
Inventories	1,850,357	1,818,188	1,705,716
Other current assets	42	42	-
Deferred income tax assets	6,827	6,827	6,827
Less: Trade payables	18,806	18,806	18,300
Advances from customers	195,527	195,527	195,029
Interests payable	-	-	1,812
Employee benefit payables	-	-	45
Taxes payable	-	-	318
Other payables	46,259	46,259	9,960
Long-term borrowings	1,194,262	1,194,262	1,135,248
Deferred income tax liabilities	8,042	-	-
Net assets acquired by the Group	502,430	478,303	479,519
Consideration paid in cash	165,000		
Less: Cash balance of the acquiree	(11,150)		
Net cash received in acquisition	153,850		

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(2) Business combinations involving enterprises not under common control
(Continued)

(c) Assets and liabilities of acquiree in 2017 are as follows: (Continued)

(ii) Tongchuang Jinlong

	Purchase date fair value	Purchase date book value	31 December 2016 book value
Cash at bank and on hand	542,169	542,169	351,117
Other receivables	315,267	315,267	314,867
Inventories	1,283,981	804,035	766,427
Other current assets	100,788	100,788	39,951
Fixed Assets	126	126	156
Deferred income tax assets	11,164	11,164	8,767
Less: Trade payables	3,294	3,294	13,040
Advances from customers	1,403,333	1,403,333	920,211
Employee benefit payables	2	2	2
Taxes payable	147	147	453
Other payables	1,428	1,428	3,871
Long-term borrowings	300,000	300,000	470,000
Deferred income tax liabilities	119,987	-	-
Net assets acquired by the Group	425,304	65,345	73,708
Consideration paid in cash	-		
Less: Cash balance of the acquiree	(542,169)		
Net cash received in acquisition	(542,169)		

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Capital Jiaming and Tongchuang Jinlong at purchase date. Valuation methods of main assets and critical assumptions are as follows:

The valuation method of inventory is residual approach, the valuation equals to the gross development value at completion by deducting the development costs to complete, tax and estimated profit margin, etc. The key assumptions are as follow:

Properties with contracted sales amounts are taking reference to contract price; the unsold properties are evaluated by market comparison approach taking reference to expected sales price.

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(2) Business combinations involving enterprises not under common control (Continued)

(d) The operating results and cash flows of acquirees from combination date to 31 December 2017 are as follows:

(i) Capital Jiaming

The revenue, net profit and cash flow of Capital Jiaming for the period from combination date to 31 December 2017 are as follows:

	Amount
Revenue	–
Net profit	100
Net cash outflows from operating activities	(18,781)
Net cash outflows	(3,673)

(ii) Tongchuang Jinlong

The revenue, net loss and cash flow of Tongchuang Jinlong for the period from combination date to 31 December 2017 are as follows:

	Amount
Revenue	1,231,621
Net loss	73,723
Net cash inflows from operating activities	117,666
Net cash inflows	(182,349)

(3) Disposal of subsidiaries

(a) The information of disposal of subsidiary in 2017 are as follow:

Name	Proceeds from disposal	Equity ratio disposed	Disposal method	Date of loss of control	Basis for date of loss of control	Difference between proceeds and net asset of the subsidiaries held by the Group on consolidated balance sheet	Other comprehensive income related to equity investment of the subsidiary transferred into investment income
Nanchang Huachuang (i)	–	60%	Equity transfer	August 2017	Date of equity transfer	13,123	–

- (i) Nanchang Huachuang was originally a wholly-owned subsidiary of the Group incorporated in 2016. In July 2017, the Group entered into an agreement with a third party to make capital injection from the third party to Nanchang Huachuang. After the completion of capital injection in August 2017, the equity interests of Nanchang Huachuang was held at 40% and 60% by the Group and the third party respectively. According to the revised articles of association, the Group has significant influence on the business operation of Nanchang Huachuang, therefore it is classified as an associate.

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(3) Disposal of subsidiaries (Continued)

(b) Profit and loss from disposal and relevant cash flow in 2017 are as follow:

Nanchang Huachuang

Profit and loss are calculated as follow:

	Amount
Fair value of 40% equity interests of Nanchang Huachuang at disposal date	31,409
Less: book value of 40% net assets at disposal date	(18,286)
Investment income from disposal	13,123
Proceeds from disposal and cash flow are as follow:	
Proceeds from disposal	–
Cash received from disposal	–
Less: cash hold by Nanchang Huachuang	(98,035)
Net cash paid for disposal	(98,035)

(4) Changes of consolidation scope due to other reasons

In January 2017, the Company set up a wholly-owned subsidiary, Beijing Xiangneng, by capital injection.

In January 2017, the Group set up the subsidiary, Chongqing Shouju, by capital injection.

In May 2017, the Group set up the subsidiary, Kunming Outlets, by capital injection.

In May 2017, the Group set up a wholly-owned subsidiary, Juyuan Commercial Partnership, by capital injection.

In July 2017, the Group set up a wholly-owned subsidiary, Shenzhen Shoulong, by capital injection.

In August 2017, the Group set up a wholly-owned subsidiary, Xingtai Jichang, by capital injection.

In September 2017, the Group set up a wholly-owned subsidiary, Shanghai Lingyu, by capital injection.

In September 2017, the Group set up a wholly-owned subsidiary, Shanghai Shoudian, by capital injection.

In March 2017, Qingdao Guoxin cancelled registration after the approval of Administration Bureau for Industry and Commerce of the PRC.

6. EQUITY INTERESTS IN OTHER ENTITIES

(1) Equity interests in subsidiaries

(a) Component of the Company

(a1) Subsidiaries incorporated by promoters at establishment of the Company

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Rongjin Real Estate Development Co., Ltd. ("Rongjin Company")	Beijing	Beijing	Property development and sales	USD6,360,000	USD6,360,000	10	49.5	10	49.5	10	49.5	10	49.5
Beijing Sunshine Jindu Properties Co., Ltd. ("Jindu Company")	Beijing	Beijing	Property development and sales	RMB370,000,000	RMB370,000,000	100	-	100	-	100	-	100	-
Central Plaza	Hong Kong	B.V.I	Investment Management	USD1	USD1	100	-	100	-	100	-	100	-
IFC	Hong Kong	B.V.I	Investment Management	USD1	USD1	100	-	100	-	100	-	100	-

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a2) Subsidiaries obtained from business combinations

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
						31 December 2017		31 December 2016		31 December 2017		31 December 2016	
				31 December 2017	31 December 2016	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
S.C. Real Estate Development Co., Ltd. ("S.C.")	Beijing, the PRC	Beijing, the PRC	Property development and sales	RMB640,000,000	RMB640,000,000	100	-	100	-	100	-	100	-
Beijing HYHL Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property development and sales	USD10,000,000	USD10,000,000	-	100	-	100	-	100	-	100
Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji")	Beijing, the PRC	Beijing, the PRC	Property development and sales	USD30,000,000	USD30,000,000	55	45	55	45	60	40	60	40
Tianjin Banshan Renjia Real Estate Co., Ltd.	Tianjin, the PRC	Tianjin, the PRC	Property development and sales	USD74,000,000	USD74,000,000	-	100	-	100	-	100	-	100
Beijing Sunshine City Real Estate Development Co., Ltd. ("Sunshine City")	Beijing, the PRC	Beijing, the PRC	Property development and sales	USD20,000,000	USD20,000,000	50	50	50	50	60	40	60	40
Chongqing Capital Xinshi Real Estate Development Co., Ltd.	Chongqing	Chongqing	Property development and sales	USD95,000,000	USD95,000,000	-	100	-	100	-	100	-	100
Beijing Xinbocheng Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property development and sales	RMB89,000,000	RMB89,000,000	-	100	-	100	-	100	-	100
Qingdao Yangguang Binhai Properties Co., Ltd.	Qingdao	Qingdao	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Qingdao Qianqianshu Investment Properties Co., Ltd.	Qingdao	Qingdao	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
Yantai Yangguang Lidu Real Estate Development Co., Ltd.	Yantai	Yantai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Yantai Yangguang Lizhen Real Estate Development Co., Ltd.	Yantai	Yantai	Property development and sales	RMB75,000,000	RMB75,000,000	-	100	-	100	-	100	-	100
Yantai Yangguang Xinye Real Estate Development Co., Ltd.	Yantai	Yantai	Property development and sales	RMB75,000,000	RMB75,000,000	-	100	-	100	-	100	-	100
Zhejiang Huisheng Real Estate Co., Ltd.	Huzhou	Huzhou	Property development and sales	USD20,000,000	USD20,000,000	-	100	-	100	-	100	-	100
Zhejiang Outlets Property Real Estate Co., Ltd. ("Zhejiang Outlets")	Huzhou	Huzhou	Property development and operation	USD40,000,000	USD40,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Tianjin Eco City Jiaming Ronghe Development Co., Ltd. (hereinafter "Tianjin Jiaming")	Tianjin	Tianjin	Property development and sales	RMB60,000,000	RMB60,000,000	100	-	100	-	100	-	100	-
Capital Grand	Hong Kong	Cayman Islands	Investment holding	HKD7,815,385	HKD7,815,385	-	72.9	-	72.9	-	72.9	-	72.9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a2) Subsidiaries obtained from business combinations (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Xi'an Capital Xinka Real Estate Co., Ltd.	Xi'an	Xi'an	Property development and sales	USD165,000,000	USD165,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Huzhou Capital Rongcheng Real Estate Co., Ltd.	Huzhou	Huzhou	Property development and sales	RMB60,000,000	RMB60,000,000	-	55	-	55	-	55	-	55
Beijing Xingtai Jicheng Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB45,000,000	RMB45,000,000	-	100	-	100	-	100	-	100
Beijing Yongyuan Jintai Investment Management Co., Ltd. ("Yongyuan Jintai")	Beijing	Beijing	Investment Management	RMB5,000,000	RMB5,000,000	100	-	100	-	100	-	100	-
Liujin Real Estate	Beijing	Beijing	Property development and sales	RMB1,720,000,000	RMB1,720,000,000	-	100	-	100	-	100	-	100
Donghuan Xinrong Investment and Management Co., Ltd. (hereinafter "Donghuan Xinrong")	Beijing	Beijing	Property leasing	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
Zhuhai Hengqin Capital Real Estate Eco Village Equity Investment Fund (Limited Partnership)	Zhuhai	Zhuhai	Investment Management	RMB249,000,000	RMB249,000,000	-	96.39	-	97.83	-	100	-	66.67
Chongqing Shouyong Real Estate Co., Ltd. ("Shouyong Real Estate")	Chongqing	Chongqing	Property development and sales	RMB80,000,000	RMB80,000,000	-	96.39	-	97.83	-	100	-	100
Shenyang Haohua	Shenyang	Shenyang	Property development and sales	RMB335,000,000	RMB335,000,000	-	100	-	100	-	100	-	100
Tongchuang Jinlong	Beijing	Beijing	Property development and sales	RMB100,000,000	N/A	-	25	N/A	N/A	-	25	N/A	N/A
Capital Jiaming	Beijing	Beijing	Property development and sales	RMB500,000,000	N/A	-	70	N/A	N/A	-	70	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a3) Subsidiaries obtained through incorporation or by other means

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Capital Xinzi Real Estate Ltd. ("Beijing Xinzi")	Beijing	Beijing	Property development and sales	RMB496,590,000	RMB496,590,000	100	-	100	-	100	-	100	-
Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya")	Beijing	Beijing	Investment Management	RMB30,000,000	RMB30,000,000	100	-	100	-	100	-	100	-
Tianjin Xinchuang Real Estate Ltd.	Tianjin	Tianjin	Property development and sales	USD25,000,000	USD25,000,000	-	100	-	100	-	100	-	-
Chengdu Capital Xinzi Real Estate Development Ltd.	Chengdu	Chengdu	Property development and sales	USD30,000,000	USD30,000,000	-	100	-	100	-	100	-	100
Jiangsu Capital Real Estate Development Ltd. ("Jiangsu Capital")	Wuxi	Wuxi	Property development and sales	USD12,500,000	USD12,500,000	60	40	60	40	60	40	60	40
Beijing Capital Land Chengdu Co., Ltd. ("Capital Chengdu")	Chengdu	Chengdu	Property development and sales	RMB150,000,000	RMB150,000,000	100	-	100	-	100	-	100	-
Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu")	Chengdu	Chengdu	Property development and sales	USD100,000,000	USD100,000,000	-	55	-	55	-	60	-	60
Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Tianjin	Tianjin	Property development and sales	USD95,000,000	USD95,000,000	-	55	-	55	-	60	-	60
Tianjin Capital Xingang Real Estate Development Co., Ltd. ("Tianjin Xingang")	Tianjin	Tianjin	Property development and sales	USD95,000,000	USD95,000,000	-	55	-	55	-	60	-	60
Wuxi Capital Xindong Real Estate Development Co., Ltd. ("Wuxi Xindong")	Wuxi	Wuxi	Property development and sales	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye")	Beijing	Beijing	Investment Management	RMB50,000,000	RMB50,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Jingjin Tongcheng	Tianjin	Tianjin	Property development	RMB250,000,000	RMB250,000,000	-	90	-	90	-	90	-	90
Beijing Capital Outlets Property Investment Fang Shan Ltd.	Beijing	Beijing	Property development, sales and operation	USD127,000,000	USD127,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Beijing Capital Zhongbei Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100
BECL Investment Holding Ltd. ("BECL")	Hong Kong	Hong Kong	Investment Management	USD9,900,000	USD9,900,000	100	-	100	-	100	-	100	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Anshuryuan Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	95	-	95	-	95	-	95
Zhenjiang Xianji Real Estate Development Co., Ltd.	Zhenjiang	Zhenjiang	Property development and sales	USD40,000,000	USD40,000,000	-	100	-	100	-	100	-	100
Zhejiang Shouxin Real Estate Development Co., Ltd.	Huzhou	Huzhou	Property development and sales	USD24,500,000	USD24,500,000	-	100	-	100	-	100	-	100
Zhejiang Hualong Real Estate Development Co., Ltd.	Huzhou	Huzhou	Property development and sales	USD67,000,000	USD67,000,000	-	100	-	100	-	100	-	100
Beijing Ruiyuanfengji Real Estate Development Co., Ltd. ("Ruiyuan Fengji")	Beijing	Beijing	Property development	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
Capital Tianshun Infrastructure Investment Co., Ltd.	Beijing	Beijing	Property development	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100
Hainan Outlets Real Estate Development Co., Ltd.	Wanning	Wanning	Property development	USD14,000,000	USD14,000,000	-	55	-	55	-	55	-	55
Jiangyin Yuyue Real Estate Development Co., Ltd.	Jiangyin	Jiangyin	Property development and sales	USD49,000,000	USD49,000,000	-	100	-	100	-	100	-	100
Qingdao Xinli Weiye Real Estate Development Co., Ltd.	Qingdao	Qingdao	Property development and sales	RMB90,000,000	RMB90,000,000	-	100	-	100	-	100	-	100
Capital Guoxin Asset Management Co., Ltd. ("Capital Guoxin")	Beijing	Beijing	Assets management	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
Hainan Outlets Tourism Development Co., Ltd.	Wanning	Wanning	Development construction and property management	USD9,000,000	USD9,000,000	-	55	-	55	-	55	-	55
Capital Outlets (Kunshan) Real Estate Development Co., Ltd.	Kunshan	Kunshan	Property development and sales	RMB300,000,000	RMB300,000,000	-	100	-	100	-	100	-	100
Shenyang Capital Xinyun Real Estate Co., Ltd.	Shenyang	Shenyang	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
SAS Datang Weiye Holdings	France	France	Real estate business and others	EUR25,000,000	EUR25,000,000	-	100	-	100	-	100	-	100
Hainan Capital Outlets Real Estate Co., Ltd.	Wanning	Wanning	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
Beijing Jinrui Wealth Investment Management Co., Ltd.	Beijing	Beijing	Investment Management	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Capital Dongxing (Kunshan) Real Estate Development Co., Ltd.	Kunshan	Kunshan	Property development and sales	RMB300,000,000	RMB300,000,000	-	100	-	100	-	100	-	100
Tianjin Tongcheng Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Zhongzhi Dingfu Real Estate Co., Ltd. ("Beijing Zhongzhidingfu")	Beijing	Beijing	Investment Management	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
Beijing Tiancheng Yongyuan Investment Management Co., Ltd. ("Tiancheng Yongyuan")	Beijing	Beijing	Property development and sales	RMB1,997,109,000	RMB1,997,109,000	-	50	-	50	-	60	-	60
Tianjin Xingtai Jixin Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Qingdao Guoxin	Qingdao	Qingdao	Investment Management	N/A	RMB10,000,000	N/A	N/A	-	100	N/A	N/A	-	100
Beijing Chuangrui Xiang'an Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB60,000,000	RMB60,000,000	-	100	-	100	-	100	-	100
Shanghai Songchaung Real Estate Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Yikaiyou Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
Shanghai Capital Zhengheng Real Estate Co., Ltd. ("Shanghai Zhengheng")	Shanghai	Shanghai	Property development and sales	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
Beijing Guijiamao Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Xingtai Jihong	Tianjin	Tianjin	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Beijing Lianchuang Shengye Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	RMB10,000,000	RMB10,000,000	-	100	-	100	-	100	-	100
Chengdu Capital Zhenghua Real Estate Co., Ltd.	Chengdu	Chengdu	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Beijing Chuangrui Hua'an Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Beijing Xujia Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Tianjing Xingtai Jisheng Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Tianjing Hongtai Weiye Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Shanghai Shouqing Real Estate Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Shanghai Shoupu Real Estate Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Tianzhiyin Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Jinyifeng Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Baochitong Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Shanghai Shouhu Investment Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Shanghai Shouyang Investment Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Hangzhou Capital Outlets Real Estate Co., Ltd.	Hangzhou	Hangzhou	Property development and management	RMB335,000,000	RMB335,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Jiangxi Capital	Nanchang	Nanchang	Property development and sales	RMB459,000,000	RMB459,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Wuhan Capital Juda Outlets Business Management Limited	Wuhan	Wuhan	Property development and management	RMB208,000,000	RMB208,000,000	-	72.2	-	72.2	-	72.2	-	72.2
Xi'an Shouju Commercial Development and Management Co., Ltd.	Xi'an	Xi'an	Property development and management	RMB335,000,000	RMB335,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Zhengzhou Juxin Outlets Industrial Co., Ltd.	Zhengzhou	Zhengzhou	Property development and management	RMB200,000,000	RMB200,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Juyuan Xincheng (Tianjin) Investment Management Co., Ltd. ("Juyuan Xingcheng Investment")	Tianjin	Tianjin	Management and consulting	RMB500,000,000	RMB500,000,000	100	-	100	-	100	-	100	-
Juyuan Xincheng (Tianjin) Trading Co., Ltd.	Tianjin	Tianjin	Wholesale and retail	RMB500,000,000	RMB500,000,000	-	100	-	100	-	100	-	100
Beijing Yongyuanxing Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Company (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2017	31 December 2016	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Shanghai Yujing Real Estate Development Co., Ltd. ("Shanghai Yujing")	Shanghai	Shanghai	Property development and sales	RMB2,000,000,000	RMB2,000,000,000	-	51	-	51	-	51	-	51
Shanghai Xuanmi Real Estate Development Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB2,000,000,000	RMB2,000,000,000	-	51	-	51	-	51	-	51
Beijing Youda Real Estate Co., Ltd. ("Youda Real Estate")	Beijing	Beijing	Property development and sales	RMB90,000,000	RMB90,000,000	-	70	-	70	-	70	-	70
Shanghai Shoujing Investment Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Jinanshouju Real Estate Co., Ltd.	Jinan	Jinan	Property development and management	RMB210,000,000	RMB210,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Hefei Chuanguju Outlets Commercial Management Co., Ltd.	Hefei	Hefei	Property development and management	RMB800,000,000	RMB800,000,000	-	72.9	-	72.9	-	72.9	-	72.9
Beijing Xiangneng	Beijing	Beijing	Property development and management	RMB500,000,000	N/A	100	-	N/A	N/A	100	-	N/A	N/A
Chongqing Shouju	Chongqing	Chongqing	Property development and management	RMB200,000,000	N/A	-	72.9	N/A	N/A	-	72.9	N/A	N/A
Kunming Outlets	Kunming	Kunming	Property development and management	RMB10,000,000	N/A	-	62.0	N/A	N/A	-	62.0	N/A	N/A
Shanghai Lingyu	Shanghai	Shanghai	Property development and sales	RMB10,200,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Shanghai Shoudian	Shanghai	Shanghai	Property development and sales	RMB50,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Juyuan Commercial Partnership	Tianjin	Tianjin	Management and consulting	RMB200,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Shenzhen Shoulong	Shenzhen	Shenzhen	Property development and sales	RMB50,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Xingtai Jichang	Tianjin	Tianjin	Property development and sales	RMB30,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(b) Subsidiaries with significant non-controlling interests

(b1) Non-controlling interests from common equity interests

Name	Equity interests portion held by non-controlling interests (%)	(Loss)/Profit attributable to non-controlling interests in 2017	Dividends distributed to non-controlling interests in 2017	Non-controlling interests as at 31 December 2017
Tianjin Xinyuan	45	(4,406)	–	268,835
Tianjin Xingang	45	(34,322)	–	153,390
Chengdu Yidu	45	(33,284)	–	374,792
Tiancheng Yongyuan	50	19,502	–	1,616,073
Shanghai Yujing	49	(3,884)	–	972,798
Total		(56,394)	–	3,385,888

The financial information of partly-owned subsidiaries above for the current year:

	Financial information as at 31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Xinyuan	994,694	17	994,711	397,299	–	397,299
Tianjin Xingang	438,305	5	438,310	97,443	–	97,443
Chengdu Yidu	1,039,386	3	1,039,389	206,518	–	206,518
Tiancheng Yongyuan	802,524	4,958,415	5,760,939	310,240	2,218,554	2,528,794
Shanghai Yujing	5,933,062	4,961	5,938,023	2,852,722	1,100,000	3,952,722

	Financial information as at 31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Xinyuan	891,969	56	892,025	284,823	–	284,823
Tianjin Xingang	1,075,950	36	1,075,986	658,848	–	658,848
Chengdu Yidu	1,079,416	19,631	1,099,047	192,211	–	192,211
Tiancheng Yongyuan	684,405	4,412,611	5,097,016	800,387	1,103,487	1,903,874
Shanghai Yujing	5,461,345	2,257	5,463,602	3,470,374	–	3,470,374

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(1) Equity interests in subsidiaries *(Continued)*(b) Subsidiaries with significant non-controlling interests *(Continued)*(b1) Non-controlling interests from common equity interests *(Continued)*

The financial information of partly-owned subsidiaries above for the current year:

	Financial information in 2017			
	Revenue	Net (loss)/profit	Total comprehensive (loss)/income	Cash flows from operating activities
Tianjin Xinyuan	174,962	(9,790)	(9,790)	(55,423)
Tianjin Xingang	23,200	(76,271)	(76,271)	(646,706)
Chengdu Yidu	185,145	(73,965)	(73,965)	540
Tiancheng Yongyuan	–	39,003	39,003	304,684
Shanghai Yujing	–	(7,927)	(7,927)	1

	Financial information in 2016			
	Revenue	Net (loss)/profit	Total comprehensive (loss)/income	Cash flows from operating activities
Tianjin Xinyuan	82,280	(139,453)	(139,453)	82,398
Tianjin Xingang	211,764	(4,928)	(4,928)	(400,656)
Chengdu Yidu	84,042	(15,147)	(15,147)	(20,115)
Tiancheng Yongyuan	–	637,563	637,563	(161,516)
Shanghai Yujing	–	(6,772)	(6,772)	(1,992,088)

(b2) Equity instruments issued by subsidiaries of the Group

	Profit attributed to non-controlling interests in 2017	Dividends distributed in 2017	Non-controlling interests as at 31 December 2017
Senior perpetual securities issued by subsidiaries (i)	439,216	444,168	4,962,843
Perpetual convertible bond securities issued by subsidiaries (Note 6(3)(b)(iii))	92	–	945,289
Total	439,308	444,168	5,908,132

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(1) Equity interests in subsidiaries *(Continued)*(b) Subsidiaries with significant non-controlling interests *(Continued)**(b2) Equity instruments issued by subsidiaries of the Group (Continued)*

	Profit attributed to non-controlling interests in 2016	Dividends distributed in 2016	Non-controlling interests as at 31 December 2016
Senior perpetual securities issued by subsidiaries (i)	442,821	438,645	4,962,843
Minsheng Jiayin Assets Management Plan	–	10,810	–
Tiandi Fangzhong Assets Management Plan (ii)	68,880	76,161	537,600
Perpetual convertible bond securities issued by subsidiaries (Note 6(3)(b)(iii))	–	–	945,197
Total	511,701	525,616	6,445,640

- (i) As at 31 December 2017, Central Plaza had issued Senior Perpetual Securities amounted to USD850,000,000. The securities were guaranteed by certain subsidiaries of the Group. Pursuant to the terms of Perpetual Securities, the Group has no contractual obligation to repay its principal or to pay any distribution. The Perpetual Securities do not meet the definition of financial liabilities and are classified as equity instruments by the Group. Subsequent distribution declared will be treated as dividend to non-controlling interests.

As the issuer, Central Plaza may defer distribution without any frequency limitations only if Central Plaza and the Company do not declare or pay dividends. Including:

In April 2013, Central Plaza issued Senior Perpetual Securities amounted to USD400,000,000, equivalent to RMB2,506,000,000, at a distribution rate of 8.375% per annum. And non-controlling interests amounted to RMB2,333,945,000 was recognized after deducting the relevant costs and inevitable dividend payable in the foreseeable future.

In November 2014, Central Plaza issued Senior Perpetual Securities amounted to USD450,000,000, equivalent to RMB2,759,625,000, at a distribution rate of 7.125% per annum under the Medium Term Note and Perpetual Securities Program. After deducting relevant issuance costs, the Group received RMB2,728,222,000 and recognized non-controlling interests amounted to RMB2,628,898,000 net of the inevitable dividend payable in the foreseeable future.

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b2) Equity instruments issued by subsidiaries of the Group (Continued)

- (ii) In January 2015, Beijing Tiandi Fangzhong Specific Asset Management plan raised a total amount of RMB1,200,000,000. According to the terms of Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the company or its assigned subsidiaries declares dividend, the Group may elect to defer the distribution without any frequency limitations. The Group has no contracted obligation to pay the principal or interests to other investors under the Specific Asset Management Plans, therefore the investment from the specific asset management plan complied with the definition of equity instrument and were recognized as non-controlling interest in the consolidated level. The dividends declared will be treated as profit distribution to non-controlling shareholders. Non-controlling interests amounted to RMB1,075,200,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In July 2016, the Group issued a prepayment announcement to redeem 50% of principal of the Specific Assets Management Plan in 2017. Since the Group had the inevitable payment obligation pursuant to the Investment Agreement, such amount did not meet the definition of equity instrument any longer and was reclassified as current portion of non-current liabilities after issue of prepayment announcement, and a decrease in capital reserve amounted to RMB62,400,000 was recognized accordingly. As at 31 December 2016, the remaining non-controlling interests amounted to RMB537,600,000 was recognized after deducting the amounts classified as non-current liabilities due within 1 year.

In 2017, the Group prepaid the principal of Tiandi Fangzhong Specific Asset Management Plan of RMB1,200,000,000, and a decrease in capital reserve amounted to RMB62,400,000 was recognized accordingly.

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates

(a) Basic information of significant Joint ventures and Associates

	Business type	Place of main operation	Place of registration	Legal representative	Nature of business	Strategic to the Group's operation	Registered capital	31 December 2017				
								Shared interest		Voting right		
								Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	
Joint ventures –												
Shenyang Jitian	Limited Company	Shenyang	Shenyang	Hu Weimin	Property development and sales	Yes	USD40,000,000	-	50	-	50	
Zhuhai Hengqin Chengdu Weihua Fund (ii)	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB15,000,000	-	67.50	-	67.50	
Shanghai Shoujia	Limited Company	Shanghai	Shanghai	Hu Weimin	Property development and sales	Yes	RMB100,000,000	-	60	-	60	
Capital Qinglv	Limited Company	Kunshan	Kunshan	Hu Weimin	Property development and sales	Yes	RMB300,000,000	-	51	-	51	
Tianjin Jiqing (iii)	Limited Company	Tianjin	Tianjin	Fan Tao	Property development and sales	Yes	RMB30,000,000	-	50	-	50	
Tianjin Lianjin (iv)	Limited Company	Tianjin	Tianjin	Mao Tie	Property development and sales	Yes	RMB125,000,000	-	25	-	25	
Shanghai Zhiyue	Limited Company	Shanghai	Shanghai	Hu weimin	Property development and sales	Yes	RMB500,000,000	-	50	-	50	
Tianjin Yongyuan (v)	Limited Company	Tianjin	Tianjin	Jiang Hebin	Property development and sales	Yes	RMB30,010,000	-	30	-	30	
Yuanchuang Xingmao (vi)	Limited Company	Beijing	Beijing	Zhuang Jiangbo	Property development and sales	Yes	RMB100,000,000	-	30	-	30	
Chuanguyuan Yicheng (vii)	Limited Company	Beijing	Beijing	Fang Yonggao	Property development and sales	Yes	RMB100,000,000	-	50	-	50	
TJ-Metro MTR (viii)	Limited Company	Tianjin	Tianjin	Xing Shuang	Property development and sales	Yes	RMB2,273,000,000	-	49	-	49	
Associates –												
Yangguangyuan	Limited Company	Beijing	Beijing	Yang Ning	Properties operation and management	No	RMB72,190,000	35	-	35	-	
Shenyang Xinzi	Limited Company	Shenyang	Shenyang	Cao Yue	Property development and sales	Yes	USD92,500,000	-	30	-	30	
Tianjin Xinqing	Limited Company	Tianjin	Tianjin	Qin Yi	Property development and sales	Yes	USD95,000,000	-	40	-	40	
Tianjin Xinming	Limited Company	Tianjin	Tianjin	Wang Wei	Property development and sales	Yes	USD95,000,000	-	40	-	40	
Zhongguancun Integrated Circus Garden (ix)	Limited Company	Beijing	Beijing	Miao Jun	Property development and sales	Yes	RMB1,000,000,000	-	50	-	50	
Zhuhai Hengqin Ruiyuan Jialing Fund (i)	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB51,000,000	-	30.4	-	33.33	
Nanchang Huachuang (Note 5(3)(a)(i))	Limited Company	Nanchang	Nanchang	Tan Fei	Property development and sales	Yes	RMB50,000,000	-	40	-	40	

Investments in above equity are accounted for using the equity method.

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(a) Basic information of significant Joint ventures and Associates *(Continued)*

- (i) Zhuhai Hengqin Ruiyuan Jialing Fund was established by Zhuhai Hengqin Fund Management Company as the general partner in year 2014. The Group subscribe 20.73% of the intermediate units in Zhuhai Hengqin Ruiyuan Jialing Fund, which holds 100% equity interests in Chongqing Shouhui Real Estate Co., Ltd. (hereinafter "Shouhui Real Estate"). The fund has a total scale of 2,200,000,000 shares amounted to RMB2,200,000,000.

In 2016, according to Shouhui Real Estate's financial condition, the Fund settled the investment capital and distributable earnings of senior and intermediate limited partners, and paid the capital to senior limited partners with fixed earnings. The Group reclassified such amount to other receivables. According to the partnership agreement, the partners still have the right to share extraneous earnings of the Fund, therefore the fund is still recognized as a joint venture.

In 2017, Zhuhai Hengqin Fund Management Company, the original GP withdrew from the partnership of Zhuhai Hengqin Ruiyuan Jialing Fund, and was replaced by Zhuhai Hengqin Chuangyuan Huijin Fund Management Company (hereinafter "Chuangyuan Huijin"). The fund is recognized as interests of non-consolidated special purpose vehicle, and the Group has significant influence over the fund according to the updated partnership agreement, therefore it is classified as an associate.

- (ii) Zhuhai Hengqin Chengdu Weihua Fund was established by Zhuhai Hengqin Fund Management Company as the general partner in 2015, and the Group subscribes 22.52% of the intermediate units in the Fund, which holds 100% equity interests in Chengdu Jinhui Real Estate Co., Ltd. (hereinafter "Chengdu Jinhui"). The fund has a total scale of 1,200,000,000 shares amounted to RMB1,200,000,000. The fund is recognized as interests of non-consolidated special purpose vehicle. In 2016, the Fund paid the capital with fixed earnings to senior limited partners and the Group, as the intermediate partners, and the capital to subordinate limited partners. The Group reclassified such amount to other receivables. However, according to the partnership agreement, partners still have the right to share extraneous earnings of the Fund, therefore the fund is still recognized as a joint venture.

In 2017, Zhuhai Hengqin Fund Management Company, the original GP withdrew from the partnership and was replaced by Chuangyuan Huijin, According to the partnership agreement, the partners still have the right to share extraneous earnings of the fund, therefore the fund is still recognized as a joint venture.

The two funds mentioned above are mainly engage in property investment, which derive their revenue from interest income, profits of the real estate development projects and proceeds from disposal of equity interests.

According to the partnership agreement, the distribution order at the clearing day and the settlement day of the fund is as follows: senior limited partners can get expected annual earnings, and intermediate limited partners can get expected fixed earnings, which is about 10%. The senior limited partners enjoy distributing initial investment and expected earnings firstly, followed by distributing initial investment and expected earnings to intermediate limited partners, then to the subordinated limited partners, and lastly to the general partners. If there is excess distributable earnings after the above distributions, the fund should distribute the income to the partners based on the agreed portion of the partnership agreement.

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(a) Basic information of significant Joint ventures and Associates *(Continued)*

- (iii) In November 2017, the Group entered an agreement with Beijing Deying Investment Management Co., Ltd (hereinafter "Deying Investment"), which agreed to develop Wuqing 1-1 plot that obtained by Tianjin Jiqing through auction in October 2017. According to the agreement since the signing date, the Group and Deying Investment both hold 50% equity interests of Wuqing 1-1 plot project, and the Group share the control over Tianjin Jiqing jointly with Deying Investment. Therefore, Tianjin Jiqing is de-consolidated since 14 December 2017 and is recognized as a joint venture of the Group. Unrealized gains from downstream transactions between Tianjin Jiqing and Jingjin Tongcheng are eliminated to the extent of the Group's equity interests in Tianjin Yongyuan as at 31 December 2017, which is amounted to RMB15,000,000.

As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment in Tianjin Jiqing at zero other than negative. In 2017, the unrecognized investment losses amounted to RMB173,000.

- (iv) In 2016, the Group set up Tianjin Lianjin together with other shareholders and the Group holds 25% equity interests of Tianjin Lianjin. According to the article of association, the Group and other shareholders share the control over Tianjin Lianjin jointly, therefore it is recognized as a joint venture.
- (v) In January 2017, the Group entered into an agreement with Zhuhai Siping Investment Consultation LLP. (hereinafter "Siping Investment") to jointly develop the Wuqing No.19 plot, which was obtained by Tianjin Yongyuan through auction in December 2016. According to the agreement and since the signing date, the Group holds 30% equity interests of the Wuqing No.19 plot project while Siping Investment holds 70%, and the Group share the control over Tianjin Yongyuan jointly with Siping Investment. Therefore, Tianjin Yongyuan is de-consolidated as at 10 January 2017 and recognized as a joint venture of the Group. Unrealized gains from downstream transactions between Jingjin Tongcheng and Tianjin Yongyuan are eliminated to the extent of the Group's equity interests in Tianjin Yongyuan as at 31 December 2017, which is amounted to RMB9,003,000.

As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment in Tianjin Yongyuan at zero other than negative. In 2017, the unrecognized investment losses amounted to RMB38,000.

- (vi) In 2017, the Group set up Yuanchuang Xingmao together with other shareholders and the Group holds 30% equity interests of the company. According to the article of association, the Group and other shareholders share the control over Yuanchuang Xingmao jointly, therefore it is recognized as a joint venture.
- (vii) In 2017, the Group set up Chuangyuan Yicheng together with other shareholders and the Group holds 50% equity interests of the company. According to the article of association, the Group and other shareholders share the control over Chuangyuan Yicheng jointly, therefore it is recognized as a joint venture.
- (viii) In 2017, the Group purchased 49% equity interests of TJ-Metro MTR from the third party. According to Articles of Association of the company, the decisions of relevant operation activities of TJ-Metro MTR require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (ix) In December 2016, the Group signed a concerted action agreement with other shareholders, stating that the decision of Zhongguancun Integrated Circuit Garden need the unanimous consent, otherwise, the Group need to follow the other shareholders' decision. According to the concerted action agreement, the Group have significant influence on Zhongguancun Integrated Circuit Garden and it is recognized as an associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(b) Key financial information of significant joint ventures

	Shenyang Jitian		Zhuhai Hengqin Ruiyuan Jialing Fund		Zhuhai Hengqin Weihua Fund		Shanghai Shoujia		Capital Qinglv	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Current assets	440,079	1,507,635	N/A	3,572,723	3,362,313	2,933,777	2,494,000	2,273,188	512,813	739,359
Including: cash and cash equivalent	29,258	9,238	N/A	160,485	234,582	762,677	498,787	327,687	8,429	10,621
Non-current assets	32,801	32,501	N/A	121	5,363	290	3,026	1,026	-	-
Total assets	472,880	1,540,136	N/A	3,572,844	3,367,676	2,934,067	2,497,026	2,274,214	512,813	739,359
Current liabilities	122,034	1,324,176	N/A	1,372,844	3,367,676	1,153,567	1,370,203	963,047	40,665	267,335
Non-current liabilities	147,000	-	N/A	2,200,000	-	1,780,500	210,375	650,000	-	-
Total liabilities	269,034	1,324,176	N/A	3,572,844	3,367,676	2,934,067	1,580,578	1,613,047	40,665	267,335
Attributable to shareholders of the Company	203,846	215,960	N/A	-	-	-	916,448	661,167	472,148	472,024
Net assets calculated by the percentage of shares holding (i)	101,923	107,980	N/A	956	-	1,458	549,869	396,700	240,795	240,732
Reconciliation items										
- Unrealized profit from intra-group transaction	(1,844)	(1,826)	N/A	(956)	-	(1,458)	-	-	-	-
Book value of investment in joint ventures	100,079	106,154	N/A	-	-	-	549,869	396,700	240,795	240,732
Market value of joint ventures (Public)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(b) Key financial information of significant joint ventures (Continued)

	Tianjin Jiqing		Tianjin Lianjin		Shanghai Zhiyue		Tianjin Yongyuan	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current assets	1,061,226	N/A	4,566,314	3,545,757	2,778,892	2,637,383	2,788,592	N/A
Including: cash and cash equivalent	55,700	N/A	1,293,352	719,009	15,352	139,641	20	N/A
Non-current assets	108	N/A	395	79	204	21	43	N/A
Total assets	1,061,334	N/A	4,566,709	3,545,836	2,779,096	2,637,404	2,788,635	N/A
Current liabilities	1,031,659	N/A	3,869,134	943,625	648,838	506,266	2,758,753	N/A
Non-current liabilities	–	N/A	600,000	2,488,612	1,633,000	1,633,000	–	N/A
Total liabilities	1,031,659	N/A	4,469,134	3,432,237	2,281,838	2,139,266	2,758,753	N/A
Attributable to shareholders of the Company	29,675	N/A	97,575	113,599	497,258	498,138	29,882	N/A
Net assets calculated by the percentage of shares holding (i)	15,000	N/A	24,394	28,400	248,629	249,069	9,003	N/A
Reconciliation items – Unrealized profit from intra-group transaction	(15,000)	N/A	–	–	–	–	(9,003)	N/A
Book value of investment in joint ventures	–	N/A	24,394	28,400	248,629	249,069	–	N/A
Market value of joint ventures (Public)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*(b) Key financial information of significant joint ventures *(Continued)*

	Yuanchuang Xingmao		Chuangyuan Yicheng		TJ-Metro MTR	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current assets	4,962,247	N/A	6,169,803	N/A	2,908,461	N/A
Including: cash and cash equivalent	110,235	N/A	10,916	N/A	4,396	N/A
Non-current assets	92	N/A	922	N/A	918	N/A
Total assets	4,962,339	N/A	6,170,725	N/A	2,909,379	N/A
Current liabilities	4,863,556	N/A	1,173,491	N/A	319	N/A
Non-current liabilities	–	N/A	4,900,000	N/A	280,418	N/A
Total liabilities	4,863,556	N/A	6,073,491	N/A	280,737	N/A
Attributable to shareholders of the Company	98,783	N/A	97,234	N/A	2,628,642	N/A
Net assets calculated by the percentage of shares holding (i)	29,635	N/A	48,617	N/A	1,288,035	N/A
Reconciliation items						
– Unrealized profit from intra-group transaction	–	N/A	–	N/A	–	N/A
Book value of investment in joint ventures	29,635	N/A	48,617	N/A	1,288,035	N/A
Market value of joint ventures (Public)	N/A	N/A	N/A	N/A	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*(b) Key financial information of significant joint ventures *(Continued)*

	Shenyang Jitian		Zhuhai Hengqin Ruiyuan Jialing Fund		Zhuhai Hengqin Chengdu Weihua Fund		Zhongguancun Integrated Circus Garden		Shanghai Shoujia		Capital Qinglv	
	2017	2016	2017	2016	2017	2016	2017	The period from 1 January 2016 to transferring day	2017	2016	2017	2016
	Revenue	98,199	79,978	N/A	509,989	-	-	N/A	200	882,948	2,562,568	7,645
Interest expenses	160	78	N/A	1,727	(52)	164,868	N/A	1,083	3,733	6,332	254	474
Income tax expenses	-	13,327	N/A	(10,558)	5,176	(4,327)	N/A	(92,702)	(85,093)	(185,995)	(41)	(3,721)
Net (loss)/profit	(12,113)	(16,298)	N/A	10,898	(15,503)	135,677	N/A	278,103	255,282	565,717	124	28,530
Other comprehensive income	-	-	N/A	-	-	-	N/A	-	-	-	-	-
Total comprehensive (loss)/income	(12,113)	(16,298)	N/A	10,898	(15,503)	135,677	N/A	278,103	255,282	565,717	124	28,530
Dividends from joint ventures	-	-	-	-	-	-	-	-	-	-	-	-

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(b) Key financial information of significant joint ventures (Continued)

	Tianjin Jiqing		Tianjin Lianjin		Shanghai Zhiyue		Tianjin yongyuan		Yuanchuang Xingmao		Chuangyuan Yicheng		TJ-Metro MTR	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	-	N/A	-	-	-	-	-	N/A	-	N/A	-	N/A	71	N/A
Interest expenses	(323)	N/A	8,550	757	105	127	-	N/A	44	N/A	33	N/A	305	N/A
Income tax expenses	108	N/A	-	-	-	3	-	N/A	-	N/A	922	N/A	-	N/A
Net loss	(345)	N/A	(16,024)	(11,399)	(880)	(1,862)	(128)	N/A	(1,216)	N/A	(2,766)	N/A	(24,419)	N/A
Other comprehensive income	-	N/A	-	-	-	-	-	N/A	-	N/A	-	N/A	-	N/A
Total comprehensive loss	(345)	N/A	(16,024)	(11,399)	(880)	(1,862)	(128)	N/A	(1,216)	N/A	(2,766)	N/A	(24,419)	N/A
Dividends from joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-

- (i) The Group, based on the amount assigned to the Company in the consolidated financial statements of joint ventures, calculates asset proportion by its shareholding.

The amount in the consolidated financial statements of joint ventures has taken the influence of the fair value of identifiable asset and liability of the investee joint venture into consideration and the unified accounting policies.

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*

(c) Key financial information of significant associates

	Yangguanyuan		Shenyang Xinzi		Tianjin Xinqing	
	31 December	31 December	31 December	31 December	31 December	31 December
	2017	2016	2017	2016	2017	2016
Current assets	277,590	295,421	1,037,462	1,324,169	665,317	667,887
Including: cash and cash equivalent	40,838	7,143	33,834	5,079	41,488	10,776
Non-current assets	1,140,806	1,022,720	20	20	314	2
Total assets	1,418,396	1,318,141	1,037,482	1,324,189	665,631	667,889
Current liabilities	63,535	50,861	127,844	422,664	1,545	3,773
Non-current liabilities	721,129	721,292	–	–	–	–
Total liabilities	784,664	772,153	127,844	422,664	1,545	3,773
Attributable to shareholders of the Company	633,732	545,988	909,638	901,525	664,086	664,116
Net assets calculated by the percentage of shares holding (i)	221,806	191,096	272,891	270,458	265,634	265,646
Reconciliation items						
– Unrealized profit from intra-group transaction	(555)	(555)	(3,249)	(3,249)	(521)	(521)
Book value of investment in associates	221,251	190,541	269,642	267,209	265,113	265,125
Market value of associates (Public)	N/A	N/A	N/A	N/A	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*(c) Key financial information of significant associates *(Continued)*

	Tianjin Xinming		Zhongguancun Integrated Circus Garden	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current assets	637,082	730,859	2,478,300	1,648,194
Including: cash and cash equivalent	130,056	18,242	544,525	130,279
Non-current assets	18,514	18,515	1,796,426	1,496,771
Total assets	655,596	749,374	4,274,726	3,144,965
Current liabilities	129,519	133,076	771,825	161,963
Non-current liabilities	–	–	2,802,467	2,335,954
Total liabilities	129,519	133,076	3,574,292	2,497,917
Attributable to shareholders of the Company	526,077	616,298	700,434	647,048
Net assets calculated by the percentage of shares holding (i)	210,431	246,519	350,217	323,524
Reconciliation items				
– Unrealized profit from intra-group transaction	(2,779)	(2,779)	–	–
Book value of investment in associates	207,652	243,740	350,217	323,524
Market value of associates (Public)	N/A	N/A	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*(c) Key financial information of significant associates *(Continued)*

	Zhuhai Hengqin Ruiyuan Jialing Fund		Nanchang Huachuang	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current assets	4,217,990	N/A	260,607	N/A
Including: cash and cash equivalent	736,768	N/A	24,303	N/A
Non-current assets	12,585	N/A	76,142	N/A
Total assets	4,230,575	N/A	336,749	N/A
Current liabilities	4,230,575	N/A	248,636	N/A
Non-current liabilities	–	N/A	10,949	N/A
Total liabilities	4,230,575	N/A	259,585	N/A
Attributable to shareholders of the Company	–	N/A	77,164	N/A
Net assets calculated by the percentage of shares holding (i)	–	N/A	30,866	N/A
Reconciliation items				
– Unrealized profit from intra-group transaction	–	N/A	–	N/A
Book value of investment in joint ventures	–	N/A	30,866	N/A
Market value of associates (Public)	N/A	N/A	N/A	N/A

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(c) Key financial information of significant associates *(Continued)*

	Yangguangyuan		Shenyang Xinzi		Tianjin Xinqing		Tianjin Xinming	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	44,783	24,467	69,652	96,468	-	-	2,119	4,416
Interest expenses	(26,575)	(28,443)	125	1	34	46	75	55
Income tax expenses	-	-	(2,703)	(4,614)	10	104	-	13,809
Net profit/(loss)	87,743	861	8,111	13,843	(29)	(311)	(90,221)	(41,428)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	87,743	861	8,111	13,843	(29)	(311)	(90,221)	(41,428)
Dividends from associates	-	-	-	-	-	-	-	-

	Zhongguancun Integrated Circus Garden		Zhuhai Hengqin Ruiyuan Jialing Fund		Nanchang Huachuang	
	The period from transferring date to 31 December		The period from disposal date to 31 December		The period from disposal date to 31 December	
	2017	2016	2017	2016	2017	2016
Revenue	-	-	627,687	N/A	-	N/A
Interest expenses	2,235	308	(14,542)	N/A	(54)	N/A
Income tax expenses	(17,796)	(158)	12,671	N/A	(453)	N/A
Net profit/(loss)	53,386	475	(71,825)	N/A	1,358	N/A
Other comprehensive income	-	-	-	N/A	-	N/A
Total comprehensive income/(loss)	53,386	475	(71,825)	N/A	1,358	N/A
Dividends from associates	-	-	-	N/A	-	N/A

- (i) The Group, based on the amount assigned to the Company in the consolidated financial statements of associates, calculates asset share in proportion to the number of shares owned.

The amount in the consolidated financial statements of associates has taken the influence of the fair value of identifiable net asset and liability of the investee associates into consideration and the unified accounting policies.

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)***(2) Equity interests in joint ventures and associates** *(Continued)***(d) Summary information of insignificant joint ventures and associates**

	2017	2016
Joint ventures:		
Total book value of investment	504,907	532,794
Subtotals by the percentage of shareholding		
(Loss)/Profit for the year (i)	(17,723)	112,287
Other comprehensive income (i)	–	–
Total comprehensive (loss)/income	(17,723)	112,287
Associates:		
Total book value of investment	101,477	68,271
Subtotals by the percentage of shareholding		
Net loss for the year (i)	(27,131)	(25,889)
Other comprehensive income (i)	–	31,984
Total comprehensive (loss)/income	(27,131)	6,095

(i) The calculation of net profit and other comprehensive income has taken the market value of recognized assets and liabilities at acquisition date and its accounting policy adjustments into consideration.

(e) The financial guarantee related to joint ventures is disclosed in Note 11(1)(b).

(3) Transaction with non-controlling interests**(a) Transaction with non-controlling interests in 2017**

(i) In 2017, the Group prepaid the principal of Tiandi Fangzhong Specific Asset Management Plan of RMB1,200,000,000 (Note 6(1)(b2)(ii)).

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(3) Transaction with non-controlling interests *(Continued)*

(b) Transaction with non-controlling interests in 2016

(ii) *Specific Assets Management Plan*

In June and July 2016, the Group repaid the principal of Minsheng Jiayin Specific Assets Management Plan of RMB650,000,000 and RMB1,080,000,000 respectively (Note 6(1)(b2)).

In July 2016, the Group issued a prepayment announcement to redeem the principal of Tiandi Fangzhong Specific Assets Management Plan of RMB600,000,000 in 2017 (Note 6(1)(b2)(ii)), therefore it was classified as current portion of non-current liabilities.

(iii) *The issuance of ordinary shares and equity instruments by Capital Grand*

In June 2016, the Group entered into an equity transfer agreement to transfer 100% equity interests of Chuangxin Jianye and Zhejiang Outlets to Capital Grand. The consideration was raised by certain wholly-owned subsidiaries of the Group subscribing 905,951,470 shares convertible preferred shares (the "CPS") issued by Capital Grand at the issue price of HKD2.78 per share. In December 2016, the prerequisite of the equity transfer agreement and the CPS subscription has been satisfied, and the Group completed this transaction and subscription of CPS.

In November 2016, Capital Grand entered into a subscription agreement with a wholly-owned subsidiary of Sino-Ocean Group Holding Limited (hereinafter "Sino-Ocean") and KKR CG Judo Outlets (hereinafter "KKR") to issue 95,192,308 ordinary shares to Sino-Ocean and KKR respectively, at the issue price of HKD2.10 per share with a cost of RMB8,465,000, resulting in recognizing non-controlling interests of RMB359,119,000.

Meanwhile, Capital Grand issued perpetual convertible bonds securities (the "PCBS") in the principal amounts of HKD657,594,260 to Sino-Ocean and in the principal amounts of HKD420,096,153 to KKR respectively. The Group has no contractual obligation to repay the principal or pay any assigned interests, and the instrument will or may not be settled in a variable number of equity instruments. Therefore, the PCBS does not comply the definition of financial liabilities. The principal deducted by issuance cost amounted to RMB945,197,000 was recognized as non-controlling interests in the consolidated financial statements. Subsequent distribution declared will be treated as dividend to non-controlling interests.

In December 2016, the Group exercised its right, and converted CPS shares of 571,153,846 into common shares. After the completion of these transaction, the portion of ordinary share in Capital Judo held by the Group increased from 65.1% to 72.9%, and the portion of net assets in Capital Judo attributable to the Group decreased from 92.56% to 72.1%. The recalculated non-controlling interests increases by RMB64,378,000, writing down the capital reserve RMB64,378,000 accordingly. In addition, the direct transaction costs related wrote down the capital reserve by RMB31,284,000.

7. INTERESTS OF NON-CONSOLIDATED SPECIAL PURPOSE VEHICLE

In June 2016, the Company entered into the equity trusteeship agreements (hereinafter "Trusteeship Agreement") with the shareholders of Sichuan Capital Yuanda Real Estate Development Co., Ltd., Huludao Chuangrong Investment Co., Ltd. (hereinafter "Chuangrong Investment"), Huludao Capital Investment Development Co., Ltd. (hereinafter "Huludao Investment"), Huludao Capital Industrial Development Co., Ltd. (hereinafter "Huludao Industrial"), Huludao Capital Longwan Development Co., Ltd. (hereinafter "Longwan Development"), Xishuangbanna Xietong Duchang Investment Co., Ltd. (hereinafter "Xietong Duchang"), Jinghong Xietong Real Estate Co., Ltd., Jinghong Hengtong Real Estate Development Co., Ltd., Zhejiang Shaoxing Capital Sunshine Real Estate Co., Ltd. (hereinafter "Shaoxing Capital Yangguang") and Xishuangbanna Jingyuan Investment Development Co., Ltd. (collectively "Trusteeship Companies"). The Company shall exercise the shareholder rights by trusteeship (except for the right to profit, residual properties distribution and disposition), including but not limited to the right to attending shareholders' meeting, voting, nomination, recommendation, supervision, proposal and questioning etc. The Company shall perform supervision, propose suggestions for the trusteeship companies and appoints individuals for directors, supervisors and chief executives on behalf of the trusteeship companies' shareholders. According to the Trusteeship Agreement, the trusteeship expenses are calculated as 0.2% of the sales revenue of trusteeship companies within maximum of RMB900,000 and minimum of RMB500,000.

In June 2017, the Company entered into an agreement with the shareholder of Shaoxing Yangguang to terminate the equity trusteeship, and both parties of the agreement shall not entitle to any right or obligation under the trusteeship agreement.

As of 31 December 2017, the Group has no equity interests in the above trusteeship companies and treated them as interests of non-consolidated special purpose vehicle except for Shaoxing Yangguang. These trusteeship companies are principally engaged in the real estate development, and the revenue are mainly from the real estate project. As at 31 December 2017, the Group has not transferred assets to the trusteeship companies, and has no obligation or intention to provide financial support to these trusteeship companies.

Other interests of non-consolidated special purpose vehicle is disclosed in note 6(2)(a)(i).

8. SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources allocation to these segments and to assess their performance.

The Group identified eight reportable segments as follows:

- Beijing segment, which is mainly engaged in real estate development, sales and related business in Beijing region.
- Shanghai segment, which is mainly engaged in real estate development, sales and related business in Shanghai region.
- Tianjin segment, which is mainly engaged in real estate, sales and related business in Tianjin region.
- Chengyu segment, which is mainly engaged in real estate development, sales and related business in Chengdu and Chongqing region.
- Other segment, which is mainly engaged in real estate development, sales and related business in other regions, including Shenyang, Xi'an, Jiangsu, Zhejiang, Hainan and etc.
- Outlets business segment, which is mainly engaged in outlets businesses in different regions.
- Other investment property segment, which is mainly engaged in the investment property operations other than outlets business.
- Primary land development segment, which is mainly engaged in primary land development and renovation of shanty towns in Beijing and Tianjin region.

In 2017, with the promotion of primary land development projects (including renovation of shanty towns) in Beijing and Tianjin, primary land development project (including renovation of shanty towns) become an important business unit of the Group and become a separate segment. Segment information in 2016 is restated correspondingly.

Inter-segment transfer prices are determined by referring to sales price to third parties.

Assets are allocated to segments based on the location of assets and the segments' operation. Liabilities are allocated to segments based on the segments' operation. Indirect expenses of the segments are allocated to the segments based on the proportion of each segments' revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

8. SEGMENT INFORMATION (Continued)

(a) Segment information in 2017 and as at 31 December 2017 are as follows:

	Property development and sales					Investment properties		Primary land development	Intersegments		Total
	Beijing	Shanghai	Tianjin	Chengyu	Others	Outlets	Others	(including renovation of shanty towns)	Unallocated	elimination	
Revenue from external customers	8,894,836	1,988,942	2,265,096	1,618,434	3,184,786	226,746	126,952	2,906,146	80,102	-	21,292,040
Inter-segment revenue	-	-	-	-	160,693	514	-	-	-	(161,207)	-
Cost of sales from main operations	(7,551,363)	(1,369,275)	(1,500,194)	(1,404,456)	(2,359,143)	-	(9,592)	(971,456)	-	-	(15,165,479)
Interest income	14,365	8,954	73,782	1,314	21,602	9,781	1,905	307,141	846,613	(69,368)	1,216,089
Interest expense	(91,634)	(19,403)	(39,945)	(262)	(19,550)	(116,109)	(4,440)	(190,730)	(914,812)	69,368	(1,327,517)
Share of (loss)/profit of associates and joint ventures	(19,635)	156,920	(51,896)	-	(42,689)	(41)	57,403	(425)	-	-	99,637
Provisions from assets impairment loss	-	-	-	-	(85,469)	-	-	-	(172,137)	-	(257,606)
Depreciation and amortization	(2,008)	(468)	(1,632)	(356)	(6,432)	(11,150)	(1,631)	(335)	(3,977)	-	(27,989)
Total Profit/(loss)	558,370	282,898	582,809	91,591	681,613	239,420	104,753	2,032,190	(734,327)	-	3,839,317
Income tax expense	(168,247)	(115,225)	(154,427)	(59,865)	(168,658)	(49,505)	(56,573)	(507,941)	237,921	-	(1,042,520)
Net profit/(loss)	390,123	167,673	428,382	31,726	512,955	189,915	48,180	1,524,249	(496,406)	-	2,796,797
Total assets	33,156,272	19,888,127	18,005,926	3,165,381	12,415,663	10,876,406	9,495,444	9,373,975	35,334,890	(10,290,915)	141,421,169
Total liabilities	(32,621,361)	(18,360,109)	(11,404,334)	(889,379)	(8,754,355)	(3,676,616)	(3,601,021)	(7,386,316)	(38,453,247)	15,657,102	(109,489,636)
Long-term equity investments on associates and joint ventures	374,564	1,020,342	1,785,373	-	656,345	73,260	571,470	-	-	-	4,481,354
Increase in non-current assets (i)	5,868	130	613	538	14,871	2,351,008	730,074	631	313	-	3,104,046

(i) Non-current assets do not include financial assets, long-term equity investments and deferred income tax assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

8. SEGMENT INFORMATION (Continued)

(b) Segment information in 2016 and as at 31 December 2016 are as follows (Restated):

	Property development and sales					Investment properties		Primary land development	Intersegments		Total
	Beijing	Shanghai	Tianjin	Chengyu	Others	Outlets	Others	(Including renovation of shanty towns)	Unallocated	elimination	
Revenue from external customers	2,698,305	1,925,703	10,178,908	1,260,236	3,719,506	199,378	102,999	264,369	-	-	20,349,404
Inter-segment revenue	-	-	-	-	-	-	-	73,420	-	(73,420)	-
Cost of sales from main operations	(1,880,677)	(1,708,054)	(8,783,059)	(1,104,706)	(3,110,126)	-	(9,962)	(242,535)	-	-	(16,839,119)
Interest income	230,366	7,008	90,933	1,918	29,916	1,193	2,267	290,351	457,691	(104,827)	1,006,816
Interest expense	(305,351)	(3,210)	(2,334)	(22,423)	(54,177)	(189,358)	(2,259)	(172,522)	(266,370)	104,827	(913,177)
Share of profit/(loss) of associates and joint ventures	56,025	397,315	(25,545)	(707)	10,311	-	139,589	6,000	-	-	582,988
Provisions from assets impairment loss	-	-	-	-	(772)	-	-	-	-	-	(772)
Depreciation and amortization	(5,501)	(628)	(1,847)	(340)	(1,742)	(21,522)	(19,121)	(308)	(2,496)	-	(53,505)
Total Profit/(loss)	724,424	547,550	707,281	50,833	302,493	496,821	1,036,232	139,357	(66,523)	-	3,938,468
Income tax expense	(198,192)	(123,933)	(225,358)	(13,754)	(77,848)	(148,124)	(259,482)	(32,437)	4,654	-	(1,074,474)
Net profit/(loss)	526,232	423,617	481,923	37,079	224,645	348,697	776,750	106,920	(61,869)	-	2,863,994
Total assets	59,795,686	17,527,457	11,335,927	4,509,723	15,994,567	7,634,733	9,281,359	6,438,407	5,670,784	(18,729,003)	119,459,640
Total liabilities	(55,862,979)	(15,540,370)	(8,679,118)	(1,504,032)	(8,088,300)	(2,828,346)	(1,623,954)	(3,473,972)	(6,811,189)	12,503,322	(91,908,938)
Long-term equity investments on associates and joint ventures	822,075	899,423	537,268	-	629,122	-	190,541	-	-	-	3,078,429
Increase in non-current assets (i)	3,332	265	216	-	2,236	1,129,755	718,984	22	-	-	1,854,810

(i) Non-current assets do not include financial assets, long-term equity investments and deferred income tax assets.

8. SEGMENT INFORMATION *(Continued)*

The revenue generated and total non-current assets apart from financial assets, long-term equity investment and deferred income tax assets from mainland China and overseas countries or regions were disclosed as follows:

Revenue from external customers	2017	2016
China	21,292,040	20,349,404
Total non-current assets	31 December 2017	31 December 2016 (Restated)
China	18,161,909	15,803,416
France	179,747	145,358
Total	18,341,656	15,948,774

Most business of the Company and the subsidiaries are operated in mainland China. In 2017 and 2016, the Group has no revenue generated from overseas transaction.

In 2017, the Group has revenue of RMB1,368,847,000 generated from a customer from primary land development segment which accounts for 6.4% of the total revenue of the Group. In 2016, the Group has no revenue generated from single significant customer.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) The general information of the parent company

	Place of registration	Nature of business
Capital Group	Beijing, the PRC	Infrastructure, financial securities, industrial technology, commercial trade and tourist hotel, etc.

The Company's ultimate controlling party is Capital Group, incorporated in Beijing.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2016	Increase	Decrease	31 December 2017
Capital Group	3,300,000	-	-	3,300,000

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	31 December 2017		31 December 2016	
	Interest held %	Voting held %	Interest held %	Voting held %
Capital Group	54.47	54.47	54.47	54.47

(2) Subsidiaries

The general information and other related information of the subsidiaries are set out in note 6(1).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(3) Joint ventures and associates**

The general information of joint ventures and associates are set out in note 6(2).

Except for the significant joint ventures and associates set out in Note 6(2), the rest of information of other joint ventures and associates engaged in related party transactions with the Group is listed as follows:

	Place of main operation	Place of registration	Nature of business	Strategic to the Group's operation	Interests held 31 December 2017		Interests held 31 December 2016	
					Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Joint ventures –								
Tonghua Qiangyu	Tianjin	Tianjin	Enterprise and property management	No	40	–	40	–
Beijing Wanzhu	Beijing	Beijing	Property development and sales	No	30	–	30	–
International School	Tianjin	Tianjin	Senior and junior education	No	–	45	–	45
Tongchuang Jinlong	Beijing	Beijing	Property development and sales	No	N/A	N/A	–	25
Shanghai Henggu	Shanghai	Shanghai	Property development and sales	No	–	28	–	28
Shanghai Songming	Shanghai	Shanghai	Property development and sales	No	–	28	–	28
Jinlong Yonghui	Beijing	Beijing	Property development and sales	No	–	14.55	–	14.55
Dacheng Guangyuan	Beijing	Beijing	Property development and sales	No	–	12.5	–	12.5
Shangbodi	Beijing	Beijing	Commercial rent and property management	No	51	–	51	–
Shouwan Yuye	Shanghai	Shanghai	Property management	No	–	51	–	51

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(3) Joint ventures and associates** *(Continued)*

Except for the significant joint ventures and associates set out in Note 6(2), the rest of information of other joint ventures and associates engaged in related party transactions with the Group is listed as follows *(Continued)*:

	Place of main operation	Place of registration	Nature of business	Strategic to the Group's operation	Interests held 31 December 2017		Interests held 31 December 2016	
					Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Associates –								
Golden Net	Beijing	Beijing	Real estate sales agent	No	14	–	14	–
Financial Street Hotel	Beijing	Beijing	Hotel operating management	No	10	49.5	10	49.5
Capital Qinglv Culture	Kunshan	Kunshan	Tourism and hotel investment	No	–	49	–	49
Nanchang Huachuang	Nanchang	Nanchang	Property development and sales	No	–	29.6	N/A	N/A
Beijing Tengtai Yiyuan Real Estate Co., Ltd. (hereinafter "Tengtai Yiyuan")	Beijing	Beijing	Property development and sales	No	25	–	N/A	N/A

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(4) Other related parties**

	Relationship with the Group
Reco Ziyang	Significant non-controlling interests of a subsidiaries
Shanghai Poly Jianjin Real Estate Co., Ltd. ("Poly Jianjin")	Significant non-controlling interests of a subsidiaries
Shouhui Real Estate	Subsidiary of associate of the Company
Beijing Taihao Shengyuan Real Estate Co., Ltd. ("Taihao Shengyuan")	Subsidiary of previous joint venture of the Company
Shouyong Real Estate	Subsidiary of previous joint venture of the Company
Shouchuang Jiaming	Previous joint venture of the Company
Tiancheng Yongtai	Previous joint venture of the Company
Chengdu Jinhui	Subsidiary of joint venture of the Company
Shanghai Liangyue Industrial Co., Ltd. ("Shanghai Liangyue")	Subsidiary of joint venture of the Company
Capital Financial Service	Controlled by the same ultimate controller
Beijing Capital Investment	Controlled by the same ultimate controller
Yangguang Comprehensive	Controlled by the same ultimate controller
Xietong Duchang	Controlled by the same ultimate controller
Huludao Investment	Controlled by the same ultimate controller
Huludao Industrial	Controlled by the same ultimate controller
Chuangrong Investment	Controlled by the same ultimate controller
Longwan Development	Controlled by the same ultimate controller
Beijing XCapital Construction Investment Fund (Limited Partnership) ("XCapital Fund")	Controlled by the same ultimate controller
Capital Securities	Controlled by the same ultimate controller
Beijing Capital Assets Management Co., Ltd. ("Capital Assets")	Controlled by the same ultimate controller
Beijing Capital Dahe Investment Co., Ltd. ("Capital Dahe")	Controlled by the same ultimate controller
Beijing Shuixing Environment Co., Ltd. ("Shuixing Environment")	Controlled by the same ultimate controller
Beijing Chuangzhi Xinrong Investment Center (Limited Partnership) ("Chuangzhi Xinrong")	Controlled by the same ultimate controller
Beijing Capital Fangzhou Real Estate Co., Ltd. ("Capital Fangzhou")	Controlled by the same ultimate controller
Kunming Wuhua District Industry Development Co., Ltd. ("Kunming Wuhua")	Significant non-controlling interests of subsidiaries
Zhao Guiying	Relative of the director of ultimate controller
Liu Yabo	Relative of the Senior management of the Company
BCG Chinastar International Investment Limited ("BCG Chinastar")	Controlled by the same ultimate controller
Tianjin Ruixiang Real Estate Co., Ltd. ("Tianjin Ruixiang")	Subsidiary of joint venture of the Company

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(5) Related party transaction**

The Board of directors considers all transactions with related parties are on normal commercial terms, and prices of related party transactions were agreed by the Group and the related parties.

(a) Purchases or sales of goods, providing or receiving services*Purchase of goods, receiving services*

Related party	Related transaction	Pricing policy and procedure for decision-making	2017	2016
Golden Net (i)	Selling agency		39,674	86,060
Capital Group	Guarantees		43,600	27,767
Capital Group	Keepwell Deed		23,054	3,900
Capital Securities	Securities		–	16,227
Capital Securities	consignment	According to market		
Capital Securities	Trust Funds	price criterion with	4,065	–
Shangbodi	Property leasing	friendly negotiation.	3,796	4,065
Sunshine City	Property leasing		1,478	1,478
Commercial				
Financial Street	Property leasing		984	984
Hotel				
Total			116,651	140,481

- (i) The Group entrusts Golden Net as sales agent of certain projects. The commission fee payable was charged by certain percentage based on property sales turnover.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transaction (Continued)

(a) Purchases or sales of goods, providing or receiving services (Continued)

Sales of goods and providing services

Related parties	Related transaction	Pricing policy and procedure for decision-making	2017	2016
Shouhui Real Estate	Consulting service		8,503	3,385
Chengdu Jinhui	Consulting service		7,066	6,157
Shouyong Real Estate	Consulting service		N/A	4,906
Shouchuang Jiaming	Guarantee Service		N/A	3,675
Capital Financial Service	Property leasing and management		4,775	4,775
Capital Assets	Property leasing and management		1,720	1,720
Capital Group	Property leasing and management		27,691	13,926
XCapital Fund	Property leasing and management		831	822
Capital Dahe	Property leasing and management		1,104	920
Shenyang Jitian	Merchandise sale		270	1,059
Shouyong Real Estate	Merchandise sale	According to market price criterion with friendly negotiation.	N/A	641
Chengdu Jinhui	Merchandise sale		3,441	–
Tianjin Yongyuan	Property sale		1,368,847	–
Tianjin Jiqing	Property sale		683,322	–
Shuixing Environment	Managing Service		500	250
Chuangrong Investment	Managing Service		500	250
Huludao Industrial Longwan Development	Managing Service		500	125
Huludao Investment	Managing Service		–	125
Huludao Investment	Managing Service		500	250
Xietong Duchang	Managing Service		500	250
Yangguang Comprehensive	Managing Service		500	500
Zhao Guiying	Merchandise sale		2,116	–
Liu Yabo	Merchandise sale		1,105	–
Huludao Investment	Rendering of services		2,438	2,438
Total			2,116,229	46,174

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(5) Related party transaction *(Continued)*(a) Purchases or sales of goods, providing or receiving services *(Continued)**Interest income/(expense)*

	2017	2016 (Restarted)
Tianjin Yongyuan	90,741	–
Zhongguancun Integrated Circuit Garden	48,625	67,605
Capital Qinglv	48,579	20,066
Tianjin Ruixiang	9,814	–
Tianjin Lianjin	7,407	23,860
Tianjin Jiqing	20	–
Financial street hotel	–	3,891
Beijing Capital Investment	(45,393)	(53,710)
XCapital Fund	(23,523)	(43,598)
BCG Chinastar	(12,980)	–
Total	123,290	18,114

(b) Guarantee and keepwell deed

	31 December 2017	31 December 2016
Capital Group for the company	5,500,000	6,500,000
Capital Group for subsidiaries	1,220,000	1,220,000
Keepwell deed for subsidiaries by Capital Group (note 4(29))	4,684,585	1,300,000

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(b) Guarantee and keepwell deed *(Continued)*

In 2013, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from China Life Guarantee Co., Ltd. amounted to RMB2,000,000,000. The guarantee will expire in December 2018, among which RMB1,000,000,000 were repaid in December 2017.

In 2014, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from PICC Investment Holding Co., Ltd. amounted to RMB2,000,000,000. The guarantee will expire in October 2019.

In 2014, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from Shenzhen Branch of PingAn Bank amounted to RMB1,220,000,000. The guarantee will expire in August 2022.

In 2015, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from Taikang Assets Management Co., Ltd. amounted to RMB2,500,000,000. The guarantee will expire in August 2022.

	31 December 2017	31 December 2016
The Company for subsidiaries	21,197,179	13,987,075
The subsidiary for subsidiary	10,519,358	10,472,871
The subsidiary for the Company	700,000	700,000

As at 31 December 2017 and 31 December 2016, the guarantees above are provided by the Company or certain subsidiaries for the Group's short-term borrowings (note 4(19)), long-term borrowings (note 4(28)), debentures payable (note 4(29)), long-term payables (note 4(30)) and equity instruments (note 6(1)).

As at 31 December 2017, a joint venture of the Group, bears a long-term borrowing amounted to RMB200,000,000 (31 December 2016: RMB1,200,000,000), among which RMB100,000,000 (31 December 2016: RMB600,000,000) is guaranteed by the Group. The guarantee period is from 22 December 2015 to 22 December 2018.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transaction (Continued)

(c) Provide/(receive) funding

	2017	2016
Chuangyuan Yicheng	1,115,500	–
Tengtai Yiyuan	492,000	–
Tianjin Ruixiang	415,604	–
Yuanchuang Xingmao	329,820	–
Poly Jianjin	325,936	(1,698,159)
Shouhui Real Estate	263,000	40,447
Tianjin Yongyuan	145,438	–
Tianjin Xinming	98,000	161,950
Shanghai Liangyue	75,000	230,000
Beijing Capital Investment	52,639	283,089
Capital Qinglv	49,500	159,500
Tianjin Xinqing	10,000	(10,000)
Shenyang Xinzi	753	(10,000)
Shenyang Jitian	157	–
Tianjin Jiqing	21	–
Shouchuang Fangzhou	–	49,689
Shouwan Yuye	–	26,398
Financial Street Hotel	–	(260,493)
XCapital Fund	–	(32,902)
Shanghai Shoujia	(558,000)	(61,379)
BCG Chinastar	(529,995)	–
Tianjin Lianjin	(203,907)	172,640
Kunming Wuhua	(164,380)	–
Nanchang Huachuang	(119,928)	–
Zhongguancun Integrated Circus Garden	(51,723)	(498,663)
Chengdu Jinhui	(38,052)	–
Capital Financial Service	(20,000)	19,968
Jinlong Yonghui	(14,550)	(145,920)
Dacheng Guangyuan	(12,500)	(207,761)
Shanghai Songming	(5,600)	(14,000)
International School	(3,000)	(1,967)
Shanghai Henggu	(2,800)	(11,200)
Golden Net	(12)	927
Chuangzhi Xinrong	(1)	54,079
Capital Group	(1)	13,323
Tiancheng Yongtai	N/A	(172,921)
Taihao Shengyuan	N/A	14,778
Capital Jiaming	N/A	10,057
Tongchuang Jinlong	N/A	(129,650)
Total	1,648,919	(2,018,170)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(5) Related party transaction *(Continued)*

(d) Key executives compensation

	2017	2016
Remuneration of key executives	46,401	29,886
Others	324	508
Total	46,725	30,394

- (e) In 2015, the Group obtained a short-term unguaranteed borrowings amounted to RMB441,000,000 from XCapital Fund, which carries annual interest rates of 7.15%. Of which, RMB441,000,000 expired on 20 September 2016 and signed a renewal agreement with due date at 20 March 2018, the renewal annual interest rate is 5.225%. In 2016, the Group obtained a short-term unguaranteed borrowings amount to RMB9,000,000 from XCapital Fund, with an annual interest rate of 7.15%, and were fully repaid on the maturity date of 1 March 2017.
- (f) In June 2016, the Group entered into an agreement with Capital Investment to acquire 100% equity interests of Shenyang Haohua. The transaction was completed in March 2017 and Shenyang Haohua became a wholly-owned subsidiary of the Group (Note 5(1)(a)).
- (g) In February 2017, the Company entered into an Asset Management Agreement with Capital Securities. Capital Securities shall provide asset management and investment services in respect of the Entrusted Assets not more than RMB2,000,000,000 in accordance with the investment policies under the Asset Management Agreement. The Company will pay, on an annual basis and upon the termination of the Asset Management Agreement, the Performance Fee to Capital Securities based on the aggregate amount of the investment return exceeding the annual benchmark return.
- (h) In 2016, the Group entered into an agreement with Capital Group to acquire 100% equity interests of Donghuan Xinrong. After the transaction, Donghuan Xinrong became a wholly-owned subsidiary of the Group.
- (i) In 2016, the Group entered into an agreement with Beijing Capital Investment to acquire 60% equity interests of Liujin Real Estate. After the transaction, Liujin Real Estate became a wholly-owned subsidiary of the Group.
- (j) In 2016, the Group set up Youda Real Estate together with XCapital Fund by capital injection.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(6) Related party balances**

Receivables due from related parties:

	31 December 2017		31 December 2016	
	Carrying amount	Provisions for doubtful debts	Carrying amount	Provisions for doubtful debts
Trade receivables				
Shuixing Environment	500	–	250	–
Chuangrong Investment	500	–	250	–
Huludao Industrial	500	–	125	–
Longwan Development	–	–	125	–
Huludao Investment	500	–	250	–
Xietong Duchang	500	–	250	–
Yangguang Comprehensive	500	–	500	–
Total	3,000	–	1,750	–
Advanced to suppliers				
Capital Group	–	–	6,100	–
Golden Net	22,474	–	21,498	–
Total	22,474	–	27,598	–
Current portion of non-current assets				
Zhongguancun Integrated Circus Garden (note 4(14)(c))	598,080	–	–	–
Long-term receivables				
Fianancial Street Hotel (i)	66,706	–	66,706	–
Zhongguancun Integrated Circus Garden (ii)	–	–	598,080	–
Tianjin Lianjin (iii)	–	–	196,500	–
Total	664,786	–	861,286	–

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(6) Related party balances** *(Continued)*Receivables due from related parties *(Continued)*:

	31 December 2017		31 December 2016	
	Carrying amount	Provisions for doubtful debts	Carrying amount	Provisions for doubtful debts
Others receivables				
Chuangyuan Yicheng	1,115,500	-	-	-
Tianjin Yongyuan (iv)	908,183	-	-	-
Tengtai Yiyuan	492,000	-	-	-
Tianjin Ruixiang (v)	415,604	-	-	-
Yuanchuang Xingmao	329,820	-	-	-
Shanghai Liangyue	305,000	-	230,000	-
Capital Qinglv (vi)	281,768	-	180,774	-
Nanchang Huachuang	61,644	-	-	-
Chuangzhi Xinrong	54,078	-	54,079	-
Shangbodi	46,662	-	46,662	-
Shouwan Yuye	26,398	-	26,398	-
Shouhui Real Estate	5,735	-	5,988	-
Chengdu Jinhui	5,606	-	40,663	-
Golden Net	1,070	-	1,085	-
Zhuhai Hengqi Chengdu Weihua Fund	1,062	-	38,522	-
Shenyang Xinzi	753	-	-	-
Shenyang Jitian	157	-	-	-
Zhongguancun Integrated Circus Garden	48	-	228	-
Tianjin Jiqing	21	-	-	-
Zhuhai Hengqin Ruiyuan Jialing Fund	-	-	437,355	-
Beijing Capital Investment	-	-	166,290	-
Capital Financial Service	-	-	20,000	-
International School	-	-	3,000	-
Capital Group	-	-	1	-
Capital Jiaming	N/A	-	22,060	-
Total	4,051,109	-	1,273,105	-

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(6) Related party balances *(Continued)*

Receivables due from related parties *(Continued)*:

- (i) As at 31 December 2017 and 31 December 2016, the amounts were interests due from Financial Street Hotel, an associate of the Group. Since the Group expected that the receivable would not be collected within one year, such amount is classified as long-term receivables.
- (ii) As at 31 December 2017 and 31 December 2016, the amounts were the principal of shareholders loan to Zhongguancun Integrated Circus Garden, a joint venture of the Group, carrying a fixed annual interest rate of 8.5%. The principal and the interests will be fully repaid on the maturity date. The receivable will be collected before the end of 2018 and therefore was classified as current portion of non-current assets.
- (iii) As at 31 December 2016, the amounts were the principals of the entrusted loans to Tianjin Lianjin, a joint venture of the Group, carrying a fixed annual interest rate of 9%, and interest were paid quarterly and the principle has been repaid in June 2017.
- (iv) As at 31 December 2017, the amounts were the principal and interests due from a joint venture, Tianjin Yongyuan. The principal has no fixed maturity date with an annual interest rate of 7.64%.
- (v) As at 31 December 2017, the amounts were the principal and interests due from Tianjin Ruixiang, a subsidiary of a joint venture of the Group, Tianjin Jiqing. The principal has no fixed maturity date with an annual interest rate of 10%.
- (vi) As at 31 December 2017, the amounts were the principal and interests due from Capital Qinglv. The principal has no fixed maturity date with an annual interest rate of 20%.

Except for the receivables above, the other receivables due from related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

Dividends receivable of the Group is disclosed in note 4(3).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(6) Related party balances *(Continued)*

Payables due to related parties

		31 December 2017	31 December 2016 (Restated)
Trade Payables	Golden Net	19,561	21,409
Advances from customers	Chengdu Jinhui Shouhui Real Estate	3,818 2,094	1,466 –
Total		5,912	1,466
Other payables	Poly Jianjin	1,372,223	1,698,159
	Shanghai Shoujia	663,689	105,689
	BCG Chinastar (vii)	529,995	–
	Kunming Wuhua	164,380	–
	Zhuhai Hengqin Ruiyuan Jialing Fund	125,536	–
	Shanghai Henggu	109,200	106,400
	Shanghai Songming	86,800	81,200
	XCapital Fund	76,500	76,500
	Reco Ziyang	69,987	69,987
	Jinlong Yonghui	43,650	29,100
	Dacheng Guangyuan	37,500	25,000
	Tianjin Yongyuan	30,010	–
	Beijing Capital Investment	20,000	193,536
	Tianjin Xinming	420	98,420
	Golden Net	90	93
	Shouhui Real Estate (viii)	–	263,000
	Tianjin Xinqing	–	10,000
	Huludao Investment	–	2,438
	Tongchuang Jinlong	N/A	75,000
Total		3,329,980	2,834,522
Interests payable	XCapital Fund	6,558	7,113
	BCG Chinastar	12,980	–
Total		19,538	7,113

(vii) As at 31 December 2017, borrowings from BCG Chinastar of the Group amounted to USD60,000,000 and NZD30,000,000 with annual interest rate of 3.76% and 3.6% respectively, unpledged and unguaranteed, and the borrowing period is from 8 May 2017 to 28 February 2018.

(viii) As at 31 December 2014, the Group received borrowings from Shouhui Real Estate, the principal was RMB526,000,000, carrying an annual interest rate of 12%, unpledged and unguaranteed, with no fixed maturity date. The Group had paid the interests accrued in previous years as at 31 December 2016.

Except for the payables above, the other payables due to related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(7) Remuneration payable to the Board of directors (Note 4(22)):

	31 December 2017	31 December 2016
Remuneration	24,168	16,848

(8) Remuneration and interests to Directors

(a) Remuneration to Directors, Supervisors and CEO

Directors' and supervisors' emoluments for 2017 are as follows:

Name	Allowance	Salary	Others	Basic pension insurance	Housing funds	The long-term incentive fund scheme	Total
Li Songping	570	-	-	-	-	-	570
Tang Jun	-	1,482	93	51	32	10,000	11,658
Li Xiaobin (i)	-	436	63	30	19	-	548
Su Zhaohui (ii)	97	-	-	-	-	-	97
Sun Shaolin	570	-	-	-	-	-	570
Su Jian	570	-	-	-	-	-	570
Li Wang	270	-	-	-	-	-	270
Wong Yik Chung, John	270	-	-	-	-	-	270
Liu Xin (iii)	20	-	-	-	-	-	20
Li Zhang	170	-	-	-	-	-	170
Tang Yanan	170	-	-	-	-	-	170
Jiang Hebin	-	2,880	88	51	32	955	4,006
Yang Weibin (iv)	276	-	-	-	-	-	276
Sun Baojie (v)	473	-	-	-	-	-	473
Wang Hong (vi)	250	-	-	-	-	-	250

- (i) Appointed as at 27 June 2017
- (ii) Appointed as at 31 October 2017
- (iii) Appointed as at 5 December 2017
- (iv) Resigned as at 27 June 2017
- (v) Resigned as at 31 October 2017
- (vi) Resigned as at 4 December 2017

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(8) Remuneration and interests to Directors** *(Continued)***(a) Remuneration to Directors, Supervisors and CEO** *(Continued)*

Directors' and supervisors' emoluments for 2016 are as follows:

Name	Allowance	Salary	Others	Basic pension insurance	Housing funds	The long-term incentive fund scheme	Total
Li Songping (i)	483	-	-	-	-	-	483
Tang Jun	-	1,455	51	81	29	4,580	6,196
Sun Baojie (ii)	345	-	-	-	-	-	345
Sun Shaolin (iii)	181	-	-	-	-	-	181
Su Jian (iii)	181	-	-	-	-	-	181
Yang Weibin (iii)	181	-	-	-	-	-	181
Wang Hong	270	-	-	-	-	-	270
Li Wang	270	-	-	-	-	-	270
Wong Yik Chung, John (iv)	182	-	-	-	-	-	182
Li Zhang (iii)	54	-	-	-	-	-	54
Tang Yanan (v)	25	-	-	-	-	-	25
Jiang Hebin	-	2,368	41	81	29	100	2,619
Wang Hao (vi)	387	-	-	-	-	-	387
Liu Xiaoguang (vii)	419	-	-	-	-	-	419
Zhang Shengli (viii)	-	463	34	33	12	-	542
Song Fengjing (vi)	387	-	-	-	-	-	387
Shen Jianping (vi)	387	-	-	-	-	-	387
Liu Yongzheng (vi)	183	-	-	-	-	-	183
Fan Shubin (ix)	229	-	-	-	-	-	229

(i) Appointed as non-executive director as at 26 February 2016 and as president as at 17 August 2016

(ii) Appointed as at 24 May 2016

(iii) Appointed as at 6 September 2016

(iv) Appointed as at 29 April 2016

(v) Appointed as at 7 November 2016

(vi) Resigned as at 6 September 2016

(vii) Resigned as at 26 February 2016

(viii) Resigned as at 24 May 2016

(ix) Resigned as at 21 October 2016

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(8) Remuneration and interests to Directors *(Continued)*

- (b) In 2017, the Company did not pay any termination benefits to directors.
- (c) In 2017, the Company did not pay consideration for the third party to gain directors' services.
- (d) In 2017, the Company did not provide borrowings, pre-borrowings or other transactions for directors or legal entity controlled by directors.
- (e) **Directors' significant interests in transaction, arrangement or contract**

In 2017, the Company did not sign any significant transactions, arrangements or contracts which are related to the Company's business and directors' direct or indirect interests.

(9) The five individuals whose emoluments are the highest

The five individuals whose emoluments are the highest in the Group for 2017 include 1 director and 1 supervisor (2016: 1 director) whose emoluments are disclosed above. The emoluments paid to other 3 individuals (2016: 4) are as follows:

	2017	2016
Basic salaries, bonus, basic pension insurance, the long-term incentive fund scheme and other allowances	20,969	19,838
	Number of individuals	
	2017	2016
Emoluments bands:		
RM0-4,000,000	-	-
RMB4,000,001-7,000,000	1	4
RMB7,000,001-10,000,000	2	-

The emoluments above include the long-term incentive fund scheme.

- (10) The Company had adopted the Long Term Fund Scheme ("Incentive Scheme") which was approved by the extraordinary general meeting held on 27 September 2009. The Company determine whether the performance of the company had reached the Incentive Scheme standard based on the annual report and audited financial statements approved by annual general meeting. Amended by the extraordinary general meeting held on 24 February 2018, the allocation of the incentive fund should be in accordance with the Incentive Scheme, 15% of the total incentive fund will be allocated to CEO while 85% will be allocated to other senior managements and core staff. In 2017, according to the Incentive Scheme, the Company accrued long-term incentive fund scheme amounting to RMB31,000,000 (2016: Nil).

10. CONTINGENCIES

(1) Borrowings guarantees and commitments

As at 31 December 2017 and 31 December 2016 expect for the guarantees (note 9(5)(b)) provided by the Company or certain subsidiaries for short-term borrowings, long-term borrowings, debentures payable, long-term payables and equity instruments acquired by the Group or joint ventures and associates, the Group has no other material external guarantee. The Group believes that the guarantees above will not have a significant impact on its financial position. According to the financial condition of joint ventures and associates, the Group is not expected to have a major debt default risk. Therefore, the estimated liabilities related to the financial guarantee are not recognized.

(2) Mortgage guarantees and commitments

The Group has arranged bank financing for certain customers and has provided guarantees to secure repayments obligations of these customers.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. As at 31 December 2017, outstanding guarantees amounted to RMB7,966,533,000 (31 December 2016: RMB6,648,906,000).

11. COMMITMENTS

(1) Capital commitments

- (a) Capital expenditures contracted for but not yet necessary to be recognized in the balance sheet by the Group at the balance sheet date are as follows:

	31 December 2017	31 December 2016
Authorized but not contracted	23,770,089	24,934,752
Contracted but not paid	7,732,601	9,031,300
Total	31,502,690	33,966,052

- (b) The Group's percentage shared on the commitments of joint ventures are as follows:

	31 December 2017	31 December 2016
Authorized but not contracted	3,559,293	2,601,000
Contracted but not paid	1,322,201	1,178,170
Total	4,881,494	3,779,170

(2) Operating lease commitments

According to the irrevocable operating leases contracts signed, the minimum of Group's future lease payments are as follows:

	31 December 2017	31 December 2016
Within 1 year	9,271	17,416
1 to 2 years	202	10,085
2 to 3 years	164	-
Total	9,637	27,501

11. COMMITMENTS *(Continued)***(3) Investment commitments**

	31 December 2017	31 December 2016
Investment for major acquisition of subsidiaries	1,320,000	275,556
Beijing Jinhaihu Culture Tourism Investment Co., Ltd.	343,000	–
Tianjin Jiqing	15,000	–
Tengtai Yiyuan	216,000	–
Zhongguancun Integrated Circuit Garden	–	390,000
Changsha Investment	–	43,300
Total	1,894,000	708,856

12. EVENTS AFTER THE BALANCE SHEET DATE

(1) Significant unadjusted items

Item	Description	Impact on financial condition and operation results	Reason for impact in estimated
The issuance of medium-term notes by subsidiary overseas	In January 2018, the Group successfully issued medium-term notes of USD500 million with issuance coupon rate of 3.875%	The assets and liabilities would increased by RMB3.1 billion approximately	N/A

12. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(2) An explanation of profit distribution

	Amount
Dividends proposed (a)	635,872
Dividends distributed with approval	605,592

- (a) According to the Board meeting held on 26 February 2018, the directors proposed a final dividends of RMB635,872,000 which is not recognized as liability in financial statements for the current year(Note 4(36)).

13. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, including market risk (foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are dominated in RMB. The Group is still subject to foreign exchange risk arising from future commercial transactions, recognized assets and liabilities in foreign currency (most of the Group's foreign currency transactions and balances are dominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Australian dollars ("AUD"), Euro ("EUR") and New Zealand dollars ("NZD")) and net investment overseas. The Group's headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize potential foreign exchange risk. Therefore the management of the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

13. FINANCIAL INSTRUMENT AND RISK *(Continued)***(1) Market risk** *(Continued)***(a) Foreign exchange risk** *(Continued)*

As at 31 December 2017 and 31 December 2016, the carrying amounts in equivalent RMB of the Group's assets and liabilities denominated in foreign currencies are summarized as follows:

	31 December 2017				Total
	USD	HKD	AUD	EUR	
Financial assets denominated in foreign currencies					
Cash at bank and on hand	190,472	67,634	304,231	271,648	833,985
Long-term receivables	–	–	3,715,179	–	3,715,179
Total	190,472	67,634	4,019,410	271,648	4,549,164
Financial liabilities denominated in foreign currencies					
Short-term borrowings	224,743	–	–	–	224,743
Dividends payable	69,460	–	–	–	69,460
Interests payable	2,714	7,352	–	876	10,942
Other payables	390,858	–	–	139,137	529,995
Debentures payable	2,587,018	–	–	–	2,587,018
Long-term borrowings due within 1 year	–	1,084,508	–	–	1,084,508
Total	3,274,793	1,091,860	–	140,013	4,506,666

13. FINANCIAL INSTRUMENT AND RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2016				Total
	USD	HKD	AUD	EUR	
Financial assets denominated in foreign currencies					
Cash at bank and on hand	274,686	1,010,370	216,109	18,779	1,519,944
Financial assets at fair value					
through profit or loss	-	217,141	-	-	217,141
Long-term receivables	-	-	2,421,192	-	2,421,192
Total	274,686	1,227,511	2,637,301	18,779	4,158,277
Financial liabilities denominated in foreign currencies -					
Short-term borrowings	239,327	-	-	-	239,327
Dividends payable	74,412	-	-	-	74,412
Interests payable	674	1,701	-	-	2,375
Long-term borrowings	-	742,040	-	-	742,040
Total	314,413	743,741	-	-	1,058,154

As at 31 December 2017, for all USD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against USD with all other variables held constant, post-tax profit for the period would have been increased/decrease by approximately RMB115,662,000 (31 December 2016: increase/decrease by approximately RMB1,490,000).

As at 31 December 2017, since the foreign exchange risk of part of the HKD borrowings has been offset by the purchased foreign exchange contracts (note 4(31)), for the other HKD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against HKD with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB7,813,000 (31 December 2016: decrease/increase by approximately RMB45,968,000).

As at 31 December 2017, since the foreign exchange risk of the AUD investment in real estate development project in Australia has been offset by the purchased foreign exchange contracts (note 4(31)), for all the other AUD dominated financial assets, if RMB had increased/decreased by 5% against AUD with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB11,409,000 (31 December 2016: decrease/increase by RMB8,104,000).

13. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1) Market risk *(Continued)*

(a) Foreign exchange risk *(Continued)*

As at 31 December 2017, for all EUR dominated financial assets, if RMB had increased/decreased by 5% against EUR with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB10,187,000 (31 December 2016: decrease/increase by RMB704,000).

As at 31 December 2017, for all NZD dominated financial liabilities, if RMB had increased/decreased by 5% against NZD with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB5,250,000 (31 December 2016: Nil).

(b) Interest rate risk

The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Group to cash flow interest-risk, and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2017, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB22,138,430,000 (31 December 2016: RMB13,247,903,000).

The financial department in headquarters of the Group continuously monitors the Group's interest rate condition. Increases in interest rates will increase the cost of new borrowing and the interest expenses of to the Group's outstanding borrowings with floating rate, and therefore could have a material adverse impact on the Group's financial position. The Group's finance department of its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The management of the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In January 2017, the Group entered into interest rate swap agreements, in which a 3-year medium term note debt with the amount of USD400,000,000 and a coupon rate of 3.875% would convert into RMB debts with fixed interest rate. In 2016, the Group did not assign any interest rate swap agreements.

As at 31 December 2017, if interest rates of borrowings with floating rate increased/decreased by 5 basis points with all other variables held constant, the profit for the year of the Group would decrease/increase by approximately RMB83,019,000 (31 December 2016: RMB49,680,000).

13. FINANCIAL INSTRUMENT AND RISK (Continued)

(2) Credit risk

The Group manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank, trade receivables and other receivable.

Since cash at bank of the Group are mainly deposited at state-owned banks and other large and medium-sized listed banks, the Group expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Group has policies to limit the credit risk exposure on trade and other receivables. The Group assesses the credit quality and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use payment reminders, reducing or canceling credit periods, to ensure the overall credit risk of the Group is limited to a controllable range.

As at 31 December 2017 and 31 December 2016, the Group has no significant overdue account receivable.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. On such basis, the Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date at their undiscounted contractual cash flows by their maturity date are analyzed below:

	31 December 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	1,887,990	-	-	-	1,887,990
Payables	16,010,801	-	-	-	16,010,801
Long-term borrowings	1,254,472	4,968,348	15,471,005	5,625,852	27,319,677
Debentures payables	538,210	5,631,940	7,329,058	-	13,499,208
Long-term payables	396,958	3,915,483	2,760,200	-	7,072,641
Current portion of non-current liabilities	24,458,157	-	-	-	24,458,157
Total	44,546,588	14,515,771	25,560,263	5,625,852	90,248,474

13. FINANCIAL INSTRUMENT AND RISK *(Continued)***(3) Liquidity risk** *(Continued)*

	31 December 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	1,963,182	-	-	-	1,963,182
Payables	12,906,284	-	-	-	12,906,284
Long-term borrowings	1,183,201	9,779,511	10,003,211	2,981,107	23,947,030
Debentures payables	743,384	4,496,614	14,124,504	-	19,364,502
Long-term payables	270,200	3,963,865	-	-	4,234,065
Current portion of non-current liabilities	15,419,264	-	-	-	15,419,264
Total	32,485,515	18,239,990	24,127,715	2,981,107	77,834,327

As at 31 December 2017, the financial derivative liabilities of the Group at their undiscounted contractual cash flows by their maturity date are analyzed below:

- (a) In 2018, sell AUD279,445,000 and buy RMB1,377,201,000; sell RMB744,494,000 and buy HKD825,000,000.
- (b) In 2019, sell AUD407,620,000, and buy RMB2,067,549,000.
- (c) In 2020, sell AUD72,466,000, and buy RMB395,102,000.
- (d) In 2021, sell AUD206,128,000, and buy RMB1,112,471,000.

As at 31 December 2016, the financial derivative liabilities of the Group at their undiscounted contractual cash flows by their maturity date are analyzed below:

- (a) In 2017, sell AUD114,838,000 and buy RMB553,596,000.
- (b) In 2018, sell AUD241,205,000 and buy RMB1,200,779,000; sell RMB744,494,000, and buy HKD825,000,000.
- (c) In 2019, sell AUD249,837,000 and buy RMB1,227,268,000.

13. FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk (Continued)

Bank and other borrowings analyzed by repayment terms are as follows:

	31 December 2017		31 December 2016	
	Bank borrowings	Debentures and other borrowings	Bank borrowings	Debentures and other borrowings
Within 1 year	11,741,626	8,892,437	9,082,467	7,793,862
1 to 2 years	3,799,200	13,826,619	8,862,630	7,595,786
2 to 5 years	15,238,349	9,921,422	9,444,633	13,196,401
Over 5 years	3,035,000	-	2,213,000	-
Total	33,814,175	32,640,478	29,602,730	28,586,049

According to the terms of individual housing mortgage loans, The Group provides temporary guarantee to the mortgage loans provided by the banks to the customers, who purchase the Group's properties by housing mortgage. The guarantee would expire after the customers obtain owners certification or other relevant warrant and completing the registration of mortgage on properties. As at 31 December 2017 and 31 December 2016, the balance of such guarantee refers to note 10(2).

14. FAIR VALUE ESTIMATES

The level of fair value measurement result is determined by the lowest level of the input value, which is of great significance to the overall fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

(1) Assets/(liabilities) measured at fair value on an ongoing basis

As at 31 December 2017, the financial assets/(liabilities) measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
– Trading financial asset	73,844	–	–	73,844
Available-for-sale financial assets				
– Available-for-sale equity instrument	–	2,320,462	–	2,320,462
Total financial assets	73,844	2,320,462	–	2,394,306
Non-financial assets				
Investment properties –				
North region	–	–	11,097,501	11,097,501
Central region	–	–	4,844,240	4,844,240
South region	–	–	1,078,000	1,078,000
Total non-financial assets	–	–	17,019,741	17,019,741
Total assets	73,844	2,320,462	17,019,741	19,414,047
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Trading financial liability	–	(235,605)	–	(235,605)
Derivative financial liabilities	–	(138,572)	–	(138,572)
Total financial liabilities	–	(374,177)	–	(374,177)

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

As at 31 December 2016, the financial assets/(liabilities) measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
– Tradable financial assets	217,141	–	–	217,141
Available-for-sale financial assets				
– Available-for-sale equity	–	2,320,462	–	2,320,462
Total financial assets	217,141	2,320,462	–	2,537,603
Non-financial assets				
Investment properties –				
North region	–	–	10,279,501	10,279,501
Central region	–	–	2,984,950	2,984,950
South region	–	–	1,133,000	1,133,000
Total non-financial assets	–	–	14,397,451	14,397,451
Total assets	217,141	2,320,462	14,397,451	16,935,054
Derivative financial liabilities	–	(178,724)	–	(178,724)

The Group recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event that caused the transfer. There was no transfer occurred among level 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. Specific valuation techniques mainly include discounted cash flow analysis, market comparison approach and so on. The inputs in those valuation techniques mainly include risk-free rate, benchmark interest rate and exchange rate.

The Group obtains independent valuations for investment properties from an independent professional valuer as a third party. The valuations are based on income capitalization and residual approach which mainly uses inputs such as market rent and its growth rate, discount rate, interest rate and profit rate, etc..

14. FAIR VALUE ESTIMATES *(Continued)***(1) Assets/(liabilities) measured at fair value on an ongoing basis** *(Continued)*

The change of assets in level 3 are as follows:

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2017	10,279,501	2,984,950	1,133,000	14,397,451
Additions	997,108	498,786	–	1,495,894
Sales	–	(652)	–	(652)
Transferred from investment properties at cost	–	1,121,335	–	1,121,335
Transferred from inventories	–	59,675	–	59,675
Gains/(Losses) recognized in profit or loss	149,892	179,091	(55,000)	273,983
Gains recognized in other comprehensive income	–	1,055	–	1,055
Reclassify to assets held-for-sale	(329,000)	–	–	(329,000)
As at 31 December 2017	11,097,501	4,844,240	1,078,000	17,019,741
Realized gains recognized in current profit or loss	–	126	–	126
Unrealized gains or losses recognized in current profit or loss – Profit/(Loss) from change in fair value	149,892	179,091	(55,000)	273,983

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

The change of level 3 assets is below:

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2016	7,785,541	1,508,000	1,008,000	10,301,541
Additions	656,530	–	–	656,530
Transferred from investment properties at cost	681,445	1,059,521	–	1,740,966
Transferred from inventories	–	154,086	–	154,086
Gains recognized in profit or loss	1,155,985	257,429	125,000	1,538,414
Gains recognized in other comprehensive income	–	5,914	–	5,914
As at 31 December 2016	10,279,501	2,984,950	1,133,000	14,397,451
Realized gains or losses recognized in current profit or loss	–	–	–	–
Unrealized gains or losses recognized in current profit or loss				
– Profit from change in fair value	1,155,985	257,429	125,000	1,538,414

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Information about fair value measurements in level 3 are as follows:

Investment properties	Fair value as at 31 December 2017	Valuation techniques	Name	Unobservable inputs	
				Range/weighted average	Relationship of unobservable inputs of fair value
North region	11,097,501	Income approach	Discount rate	6% to 8%	The higher discount rate, the lower fair value.
			Market rents	RMB40 to RMB535 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0% to 4%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.75%	The higher interest rate, the lower fair value.
			Profit rate	10% to 28%	The higher profit rate, the lower fair value.
Central region	4,844,240	Income approach	Discount rate	6.5% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB37 to RMB130 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0% to 1%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.75%	The higher interest rate, the lower fair value.
			Profit rate	15% to 25%	The higher profit rate, the lower fair value.
South region	1,078,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB53 to RMB88 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0%	The higher growth rate, the higher fair value.

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Investment properties	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs		
			Name	Range/weighted average	Relationship of unobservable inputs of fair value
North region	10,279,501	Income approach	Discount rate	6% to 8%	The higher discount rate, the lower fair value.
			Market rents	RMB42 to RMB535 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0% to 4%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.9%	The higher interest rate, the lower fair value.
			Profit rate	10% to 30%	The higher profit rate, the lower fair value.
Central region	2,984,950	Income approach	Discount rate	6.5% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB38 to RMB105 per square metre per month	The higher market rent, the lower fair value.
			Rents growth rate	0% to 2%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.9%	The higher interest rate, the lower fair value.
			Profit rate	8% to 20%	The higher profit rate, the lower fair value.
South region	1,133,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB45 to RMB86 per square metre per month	The higher market rent, the higher fair value.

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Information about the fair value measurement of level 2 are as follows:

	Fair value as at 31 December 2017	Valuation techniques	Observable input	
			Name	Range/weighted average
Financial derivative liabilities	138,572	Discounted future cash flow	AUD forward exchange rate at balance sheet date	5.0871 to 5.4316
			Discounted rate	1.53% to 2.42%
		Discounted future cash flow	HKD forward exchange rate at balance sheet date	1.1686 to 1.1687
			Discounted rate	1.47%
Financial liabilities at fair value through profit or loss	235,605	Discounted future cash flow	Discount curves	Discount rate for period from one day to three years (currency include USD, HKD, NZD and RMB)
			Forward exchange rate	Forward exchange rate for each forward contract from the valuation date to the maturity date
Available-for-sale financial assets	2,320,462	Market approach	Contract price	RMB28,878 to RMB58,200 per square metre 92,790
			Sales area	square metre

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

	Fair value as at 31 December 2016	Valuation techniques	Observable input	
			Name	Range/weighted average
Financial derivative liabilities	178,724	Discounted future cash flow	AUD forward exchange rate at balance sheet date	5.1418 to 5.4967
			Discounted rate	1.87% to 2.14%
		Discounted future cash flow	HKD forward exchange rate at balance sheet date	0.9704
			Discounted rate	1.66%
Available-for-sale financial assets	2,320,462	Market approach	Contract price	RMB28,878 to RMB58,200 per square metre per month 92,790
			Sales area	square metre

(2) Assets measured at fair value not on an ongoing basis

The non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. As at 31 December 2017, the non-current assets held for sale measured at fair value of the Group amounted to RMB338,921,000 (31 December 2016: RMB9,921,000).

The assets held-for-sale measured at fair value less costs to sell, including investment properties amounted to RMB329,000,000 and long-term equity investments amounted to RMB9,921,000 (note 4(8)). Fair value is measured based on the current value of expected future cash flow (RMB329,000,000 and RMB9,921,000). This situation belongs to Level 3.

14. FAIR VALUE ESTIMATES (Continued)

(3) Assets and liabilities not measured at fair value but disclosed on fair value

Financial assets and liabilities measured at amortized cost mainly include receivables, long-term receivables, short-term borrowings, payables, long-term borrowings, debentures payables and long-term payables.

Except for the financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value:

	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	12,736,000	12,888,452	12,575,500	13,206,889
Debentures payable	23,734,705	23,734,705	22,479,374	22,480,074
Long-term payable	8,905,775	9,091,027	5,500,000	5,664,067
Total	45,376,480	45,714,184	40,554,874	41,351,030

The fair value of long-term borrowings and debentures payables without active market price are determined by the present value of the contracted future cash flow, which is calculated using the discount rate in the market of comparable credit rating that can provide much the same cash flows in the same conditions. This situation belongs to Level 3.

15. CAPITAL MANAGEMENT

The Group's objectives of capital management are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to reduce cost of capital by maintaining an optimal capital structure.

In order to maintain or adjust capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Same as other companies in this industry, the group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

The asset-liability ratios as at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	31 December 2016 (Restated)
Total liabilities	109,489,636	91,908,938
Total assets	141,421,169	119,459,640
Asset-liability ratio	77%	77%

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	4	5
Bank deposits	6,866,026	7,106,094
Total	6,866,030	7,106,099

As at 31 December 2017, bank deposits includes security deposits for certain mortgage amounted to RMB500,000,000 (31 December 2016: RMB500,000,000) The Group has classified such amount to restricted bank deposits.

(2) Trade receivables

	31 December 2017	31 December 2016
Trade receivables	3,160	1,910
Less: provisions for doubtful debt	-	-
Total	3,160	1,910

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Trade receivables (Continued)

(a) The aging of trade receivables is analyzed as follows:

	31 December 2017	31 December 2016
Within 1 year	3,000	1,750
Over 3 years	160	160
Total	3,160	1,910

As at 31 December 2017, trade receivables amounted to RMB160,000 (31 December 2016: RMB160,000) was overdue but not impaired. Based on the analysis of financial position and history credit, the Company believes that the receivables are recoverable. The aging of it is analyzed as follows:

	31 December 2017	31 December 2016
Over 3 years	160	160

(b) The trade receivables classified by their categories are analyzed as follows:

	31 December 2017				31 December 2016			
	Carrying amount Of total Amount %	Provisions for doubtful debts Of the provision %	Carrying amount Of total Amount %	Provisions for doubtful debts Of the provision %	Carrying amount Of total Amount %	Provisions for doubtful debts Of the provision %		
Receivables subject to separate provision with no similar credit characteristic	3,160	100	-	-	1,910	100	-	-

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Other receivables

	31 December 2017	31 December 2016
Receivables due from subsidiaries (i)	31,219,272	46,449,297
Receivables due from associates	–	228
Receivables due from joint ventures	755,444	59,156
Tender bonds and other guarantee deposits	42,900	16,900
Others	18,781	23,695
Subtotal	32,036,397	46,549,276
Less: provisions for doubtful debts	(24,000)	(24,000)
Net	32,012,397	46,525,276

- (i) As at 31 December 2017, the loans from the Company to certain subsidiaries amounted to RMB 630,000,000 (31 December 2016: RMB630,000,000) with interest rate of 4.35%, unmortgaged and unguaranteed, and with no fixed maturity date; loans to certain subsidiaries amounted to RMB 639,360,000 (31 December 2016: RMB 495,214,000) and RMB 338,920,000 (31 December 2016: Nil) with interest rate of 10.00% and 5.66% respectively, unmortgaged and unguaranteed, and with no fixed maturity date.

Except for the receivables above, the other receivables due to related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

- (a) The aging of other receivables is analyzed as follows:

	31 December 2017	31 December 2016
Within 1 year	17,333,709	34,756,345
1 to 2 years	9,912,240	9,266,266
2 to 3 years	3,942,423	1,439,126
Over 3 years	848,025	1,087,539
Total	32,036,397	46,549,276

As at 31 December 2017 and 31 December 2016, there is no overdue but not subject to separate assessment for provision for doubtful debts other receivables.

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Other receivables (Continued)

(b) The other receivables classified by their categories are analyzed as follows:

	31 December 2017				31 December 2016			
	Book balance		Provision for impairment		Book balance		Provision for impairment	
	Amount	Of total amount %	Amount	Of the provision %	Amount	Of total amount %	Amount	Of the provision %
Receivables subject to provision for doubtful debts on the grouping basis								
– Group of related parties	31,974,716	100	–	–	46,508,681	100	–	–
Receivables subject to separate provision with no similar credit characteristic	37,681	–	–	–	16,595	–	–	–
Not individually significant but subject to separate assessment for provision for doubtful debts	24,000	–	(24,000)	100	24,000	–	(24,000)	100
	32,036,397	100	(24,000)	0.1	46,549,276	100	(24,000)	0.1

(4) Available-for-sale financial assets

	31 December 2017	31 December 2016
At cost		
– Available-for-sale equity instruments	80,000	70,000
Less: impairment provision	–	–
Net	80,000	70,000

As at 31 December 2016, the information related to available-for-sale financial assets refers to Note 4(10). As at 31 December 2017, the Company had purchased commercial real estate mortgage backed securities amounting to RMB10,000,000 resulting in the increase of available-for-sale financial assets. The largest risk exposure equals to the book value of the shares the Company held i.e., RMB10,000,000.

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(5) Long-term receivables

	31 December 2017	31 December 2016
Financial Street Hotel	66,706	66,706

(6) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries (a)	5,120,939	4,605,939
Joint ventures (b)	180,366	187,061
Associates (c)	234,504	203,783
Subtotal	5,535,809	4,996,783
Less: impairment of long-term equity investment	-	-
Net	5,535,809	4,996,783

There is no significant restriction on sale of the long-term equity investments and collection of the investment income for the Company.

(a) Subsidiaries

	31 December 2016	Changes in this year				31 December 2017	Provision for impairment balance	Dividends declared in this year
		Increase in investment	Decrease in investment	Provisions for impairment	Others			
S.C	734,095	-	-	-	-	734,095	-	-
Rongjin Company	21,968	-	-	-	-	21,968	-	-
IFC	20,480	-	-	-	-	20,480	-	-
Central Plaza	39,466	-	-	-	-	39,466	-	-
Jindu Company	369,970	-	-	-	-	369,970	-	-
Beijing Xinzi	642,625	-	-	-	-	642,625	-	-
Anhua Shiji	136,303	-	-	-	-	136,303	-	-
Shangboya	30,000	-	-	-	-	30,000	-	-
Jiangsu Capital	60,375	-	-	-	-	60,375	-	-
Capital Chengdu	150,000	-	-	-	-	150,000	-	-
Sunshine City	82,766	-	-	-	-	82,766	-	-
Wuxi Xindong	100,000	-	-	-	-	100,000	-	-
Capital (Chengdu) Investment Co., Ltd.	5,000	-	-	-	-	5,000	-	67,000
Tianjin Management	5,000	-	-	-	-	5,000	-	220,000
Ruiyuan Fengxiang	10,000	-	-	-	-	10,000	-	188,000

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

	Changes in this year					31 December 2017	Provision for impairment balance	Dividends declared in this year
	31 December 2016	Increase in investment	Decrease in investment	Provisions for impairment	Others			
Tianjin Jiaming	60,000	-	-	-	-	60,000	-	-
Ruiyuan Fengji	10,000	-	-	-	-	10,000	-	655,000
Capital Nanjing Investment Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Capital Guoxin	100,000	-	-	-	-	100,000	-	-
Haikou Capital Xinye Investment Co., Ltd.	10,000	-	-	-	-	10,000	-	-
BECL	67,296	-	-	-	-	67,296	-	-
Shanghai Zhengheng	10,000	-	-	-	-	10,000	-	270,000
Beijing Chuangyuan Botao Architecture Design Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Beijing Xinyuan Huaifu Investment and Management Co., Ltd.	5,000	-	-	-	-	5,000	-	54,000
Capital Yinxing	5,000	-	-	-	-	5,000	-	-
Beijing Dongqi Jinzhao Infrastructure Investment Co., Ltd.	30,000	-	-	-	-	30,000	-	-
Zhongzhi Dingfu	100,000	-	-	-	-	100,000	-	-
Yongyuan Jintai	216,530	-	-	-	-	216,530	-	-
Lehui Life (Beijing) Technology Service Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Juyuan Xincheng Investment	500,000	-	-	-	-	500,000	-	-
Donghuan Xinrong	1,064,065	-	-	-	-	1,064,065	-	-
Shenzhen Capital Investment Real Estate Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Beijing Xiangneng	-	500,000	-	-	-	500,000	-	-
Zhongrui Kaihua	-	10,000	-	-	-	10,000	-	-
Beijing Kaiyuan Hean Investment Management Co., Ltd.	-	5,000	-	-	-	5,000	-	-
Total	4,605,939	515,000	-	-	-	5,120,939	-	1,454,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(b) Joint ventures

	Changes in this year									31 December 2017	Provisions for impairment balance
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/(loss)	Share of other comprehensive income	Other equity changes	Cash dividend declared	Provisions for impairment	Others		
Beijing Wanzhu	55,905	-	-	2,990	-	-	-	-	-	58,895	-
Tonghua Qiangyu	-	-	-	-	-	-	-	-	-	-	-
Zhuhai Hengqin Fund Management Company	53,776	-	-	(24,432)	-	-	-	-	-	29,344	-
Shangbodi	77,380	-	-	14,747	-	-	-	-	-	92,127	-
Total	187,061	-	-	(6,695)	-	-	-	-	-	180,366	-

(c) Associates

	Changes in this year									31 December 2017	Provisions for impairment balance
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit	Share of other comprehensive income	Other equity changes	Cash dividend declared	Provisions for impairment	Others		
Golden Net	13,242	-	-	11	-	-	-	-	-	13,253	-
Yangguangyuan	190,541	-	-	30,710	-	-	-	-	-	221,251	-
Financial Street Hotel	-	-	-	-	-	-	-	-	-	-	-
Total	203,783	-	-	30,721	-	-	-	-	-	234,504	-

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7) Fixed assets

	Buildings	Motor vehicles	Office equipment	Total
Cost				
31 December 2016	72,925	18,616	13,139	104,680
Increase	-	-	316	316
Purchase	-	-	316	316
Decrease	-	-	-	-
Disposal and retirement	-	-	-	-
31 December 2017	72,925	18,616	13,455	104,996
Accumulated depreciation				
31 December 2016	(19,061)	(18,086)	(12,857)	(50,004)
Increase	(1,741)	(107)	(472)	(2,320)
Accrument	(1,741)	(107)	(472)	(2,320)
Decrease	-	-	-	-
Disposal and retirement	-	-	-	-
31 December 2017	(20,802)	(18,193)	(13,329)	(52,324)
Provision for impairment				
31 December 2016	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
31 December 2017	-	-	-	-
Net book value				
31 December 2017	52,123	423	126	52,672
31 December 2016	53,864	530	282	54,676

In 2017, RMB2,320,000 (2016: RMB2,735,000) of depreciation expense charged in cost of administrative expense.

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(8) Taxes payables

	31 December 2017	31 December 2016
VAT payable	5,558	12,426
Land appreciation tax payable	15,679	20
Others	3,705	10,102
Total	24,942	22,548

(9) Other payables

	31 December 2017	31 December 2016
Payables to subsidiaries	1,924,907	15,325,731
Payables to joint ventures	663,689	105,689
Payables for routine business	207,896	984,345
Total	2,796,492	16,415,765

(10) Long-term borrowings

	Currency	31 December 2017	31 December 2016
Unsecured borrowings	RMB	1,910,000	3,790,000
Secured borrowings including:			
– Guaranteed	RMB	6,200,000	7,200,000
– Pledged	RMB	–	500,000
Subtotal		8,110,000	11,490,000
Less: Long-term borrowings due within 1 year, including:			
Unsecured borrowings	RMB	(1,030,000)	(1,080,000)
Secured borrowings including:			
– Guaranteed	RMB	(4,200,000)	(2,500,000)
Subtotal		(5,230,000)	(3,580,000)
Long-term borrowings-net		2,880,000	7,910,000

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(11) Other equity instruments

In December 2017, Sino-Australia Trust set up a special asset management plan to raise a total amount of RMB1,100,000,000. According to the Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. Within 12 months from value date, the company shall not exercise the right of deferred interest and the frequency of deferring interest is not restricted. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. As at 31 December 2017, amounted of RMB1,024,650,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

In September 2017, China Fortune Trust set up a special asset management plan to raise a total amount of RMB2,000,000,000. According to the Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. As at 31 December 2017, amounted of RMB1,970,027,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

In July 2016, Xinghan Assets set up a special asset management plan to raise a total amount of RMB3,000,000,000. According to the Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. As at 31 December 2017 and 31 December 2016, amounted of RMB2,895,291,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(12) Capital reserve

	31 December 2016	Increase	Decrease	31 December 2017
Share premium	3,113,441	–	–	3,113,441

	31 December 2015	Increase	Decrease	31 December 2016
Share premium	3,347,206	–	(233,765)	3,113,441

(13) Other comprehensive income

	Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method	Changes in fair value of available- for-sale financial assets	Total
As at 31 December 2015	–	–	8,087	8,087
Changes in 2016	–	9,407	(8,087)	1,320
As at 31 December 2016	–	9,407	–	9,407
Changes in 2017	–	–	–	–
As at 31 December 2017	–	9,407	–	9,407

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(14) Revenue and cost of sales

	2017	2016
Revenue from main operations (a)	79,379	20,168
Other operating income (b)	4,537	1,750
Total	83,916	21,918

	2017	2016
Cost of sales from main operations (a)	10,589	–
Other operating cost (b)	–	–
Total	10,589	–

(a) Revenue and cost of sales from main operations

	2017		2016	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of properties	57,143	10,589	–	–
Consulting services	22,236	–	20,168	–
Total	79,379	10,589	20,168	–

(b) Revenue and cost from other operations

	2017		2016	
	Revenue from other operations	Cost from other operations	Revenue from other operations	Cost from other operations
Rental and other business	1,537	–	–	–
Others	3,000	–	1,750	–
Total	4,537	–	1,750	–

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(15) Interest expense

	2017	2016
Interest expense	1,627,522	1,580,966
Including: Bank borrowings	228,641	454,304
Corporate bonds	811,373	627,477
Other liabilities	587,508	499,185
Less: Capitalized interest expense	–	–
Interest expense – net	1,627,522	1,580,966
Interest income	(189,045)	(224,465)
Exchange gains or losses – net	2,795	6,729
Others	24,771	22,511
Net	1,466,043	1,385,741

Interest expenses analyzed by the maturity of bank and other borrowings are as follows:

	2017		2016	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	228,641	1,398,881	454,304	1,126,662
Not wholly repayable within five years	–	–	–	–
Total	228,641	1,398,881	454,304	1,126,662

(16) Expense by nature

Costs of properties sold, selling and distribution expenses and general and administrative expenses in the income statement classified by nature are as follows:

	2017	2016
Costs of properties sold	10,589	–
Wages, social security and welfare	213,137	50,928
Administrative office expenses	39,048	22,892
Depreciation and amortization	2,320	2,735
Travel and entertainment expenses	5,250	5,701
Intermediary service fee	22,474	10,935
Marketing expenses	25	232
Audit services expenses	7,877	8,679
Audit related or non-audit services expenses	357	2,350
Others	2,059	3,647
Total	303,136	108,099

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(17) Investment income

	2017	2016
Share of net profit or loss of investees under equity method	24,026	71,000
Gains from disposal of subsidiaries	–	651,574
Investment income from disposal of available-for-sale financial assets	–	14,452
Dividend income from available-for-sale financial assets	2,302	1,845
Disposal of trading financial assets	33,426	–
Dividends income from subsidiaries	1,454,000	959,000
Others	–	(119)
Total	1,513,754	1,697,752

The Company does not have significant restrict in investment income repatriation.

The Company generated profit in 2017 from listed investment and unlisted investment were RMB33,426,000 and RMB1,480,328,000 respectively (2016: RMB14,452,000 and RMB1,683,300,000).

(18) Income taxes expense

	2017	2016
Current income tax calculated based on tax law and related regulations	–	–
Deferred income tax	(466,396)	(209,919)
Total	(466,396)	(209,919)

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses are listed below:

	2017	2016
Total profit	(189,040)	223,717
Income tax expenses calculated at applicable tax rates	(47,260)	55,929
Share of net profit of joint ventures and associates under equity method	(6,007)	(17,750)
Profit not subject to tax	(364,075)	(239,750)
Distribution eligible for tax deduction	(49,289)	(8,894)
Expenses, costs and losses not deductible for tax purposes	235	546
Income tax expense	(466,396)	(209,919)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(19) Notes to cash flow statement

Reconciliation from profit for the year to cash flows from operating activities

	2017	2016
Profit for the year	277,356	433,636
Add: Depreciation of fixed assets (note 16(7))	2,320	2,735
Disposal of fixed assets, intangible assets and other long-term assets	–	(118)
Interest expenses	1,495,377	1,469,436
Investment income (Note 16(17))	(1,513,754)	(1,697,752)
Increase in deferred income tax assets	(466,396)	(209,918)
Decrease in inventories	10,589	–
Increase/(decrease) in operating payables	16,524,724	(2,104,463)
Increase in operating receivables	(13,115,431)	(8,208,853)
Net cash flows generated from/(used in) operating activities	3,214,785	(10,315,297)

(a) Net change in cash and cash equivalent

	2017	2016
Cash at the end of the year	6,366,030	6,606,099
Less: cash at the beginning of the year	(6,606,099)	(6,449,828)
Net (decrease)/increase in cash	(240,069)	156,271

(b) Cash and cash equivalent

	31 December 2017	31 December 2016
Cash at bank and on hand (note 16(1))	6,866,030	7,106,099
Less: restricted cash	(500,000)	(500,000)
Cash at the end of period	6,366,030	6,606,099

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (ALL AMOUNTS IN THOUSANDS OF RMB UNLESS OTHERWISE STATED)

17. NET CURRENT ASSETS

	31 December 2017 Consolidated	31 December 2016 Consolidated	31 December 2017 Company	31 December 2016 Company
Current assets	111,827,343	94,588,284	39,038,292	53,734,150
Less: current liabilities	(66,045,368)	(48,065,234)	(20,028,838)	(24,778,581)
Net current assets	45,781,975	46,523,050	19,009,454	28,955,569

18. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2017 Consolidated	31 December 2016 Consolidated	31 December 2017 Company	31 December 2016 Company
Total assets	141,421,169	119,459,640	45,610,793	59,293,233
Less: current liabilities	(66,045,368)	(48,065,234)	(20,028,838)	(24,778,581)
Total assets less current liabilities	75,375,801	71,394,406	25,581,955	34,514,652



www.bjcapitalland.com