花樣年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01777)

ANNOUNCEMENT OF 2017 ANNUAL RESULTS

HIGHLIGHTS

– The Group recorded total contract sales for the year of 2017 of over RMB20,164 million and reached approximately 134.4% of the Group's annual sales target of RMB15,000 million.

– The Group's total revenue is RMB9,783 million in 2017.

– The Group's gross profit margin in 2017 maintained a relatively high level of 29.6%.

– The Group's profit for the year attributable to owners of the Company increased by 43.3% from RMB806 million in 2016 to RMB1,154 million in 2017.

– The Group's net gearing ratio (being the aggregated of borrowings, senior notes and bonds and assets backed securities issued net of bank balances and cash and restricted/pledged bank deposits over the total equity) as at 31 December 2017 was 76.0%, which decreased by 7.0 percentage points from 83.0% as at 31 December 2016.

– Basic earnings per share was RMB0.20 (2016: RMB0.14).

– The Board proposed the payment of a final dividend of HK7.00 cents per share.

The board (the "Board") of Directors (the "Directors") of Fantasia Holdings Group Co., Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Period") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	3	**9,782,568**	10,920,638
Cost of sales and services		**(6,884,964)**	(7,392,156)
Gross profit		**2,897,604**	3,528,482
Other income, gains and losses	4	**1,009,049**	(585,172)
Change in fair value of investment properties		**966,184**	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**118,589**	478,005
Selling and distribution expenses		**(417,872)**	(222,772)
Administrative expenses		**(1,229,847)**	(851,273)
Finance costs	5	**(1,279,587)**	(932,238)
Share of results of associates		**8,843**	(2,528)
Share of results of joint ventures		**167,670**	48,504
Gain on disposal of subsidiaries		**326,285**	640,080
Profit before tax	6	**2,566,918**	2,506,164
Income tax expense	7	**(1,157,207)**	(1,441,816)
Profit for the year		**1,409,711**	1,064,348
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(8,035)**	(22,974)
Income tax relating to items that will not be reclassified to profit or loss		**2,009**	5,743
Other comprehensive expense for the year, net of income tax		**(6,026)**	(17,231)
Total comprehensive income for the year		**1,403,685**	1,047,117

	Note	**2017**	2016
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		**1,154,316**	805,736
An owner of perpetual capital instrument		**–**	37,550
Other non-controlling interests		**255,395**	221,062
		1,409,711	1,064,348
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,150,710**	795,426
An owner of perpetual capital instrument		**–**	37,550
Other non-controlling interests		**252,975**	214,141
		1,403,685	1,047,117
Earnings per share – basic (RMB)	9	**0.20**	0.14
Earnings per share – diluted (RMB)	9	**0.20**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 *RMB'000*	2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,611,084**	2,078,272
Investment properties		**10,194,164**	6,981,839
Interests in associates		**1,174,908**	735,336
Interests in joint ventures		**1,060,057**	951,667
Available-for-sale investments		**117,663**	30,215
Goodwill		**2,299,758**	912,750
Intangible assets		**1,319,901**	259,248
Prepaid lease payments		**754,720**	1,765,515
Premium on prepaid lease payments		**1,268,992**	1,592,486
Other receivables		**167,624**	244,038
Deposits paid for potential acquisitions of subsidiaries		**799,606**	267,130
Deposit paid for acquisition of a property project		**159,214**	159,073
Deposits paid for acquisitions of land use rights		**118,103**	1,095,077
Deferred tax assets		**461,990**	466,577
		22,507,784	17,539,223
CURRENT ASSETS			
Properties for sale		**23,777,966**	15,347,979
Inventories		**194,655**	80,414
Prepaid lease payments		**18,228**	48,151
Premium on prepaid lease payments		**19,233**	28,744
Trade and other receivables	10	**4,129,404**	4,604,211
Amounts due from customers for contract works		**104,079**	73,627
Tax recoverable		**85,990**	96,458
Amounts due from non-controlling shareholders of the subsidiaries of the Company		**1,052,812**	82,330
Amounts due from joint ventures		**362,935**	355,775
Amounts due from associates		**27,567**	–
Amounts due from related parties		**–**	233,726
Financial assets at fair value through profit or loss ("FVTPL")		**234,460**	127,275
Restricted/pledged bank deposits		**2,106,552**	1,997,824
Bank balances and cash		**14,335,075**	9,136,526
		46,448,956	32,213,040

	Note	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Trade and other payables	11	**9,282,468**	4,445,008
Deposits received for sale of properties		**5,503,060**	2,817,149
Amounts due to customers for contract works		**13,778**	16,746
Amount due to a non-controlling shareholder of the Company		**–**	310,438
Amounts due to joint ventures		**10,000**	294,157
Amounts due to associates		**13,513**	1,061,338
Tax liabilities		**4,431,080**	4,151,634
Borrowings – due within one year		**3,022,026**	929,458
Obligations under finance leases		**51,693**	23,610
Senior notes and bonds		**4,484,610**	1,575,183
Assets backed securities issued		**42,533**	37,642
Defined benefit obligations		**220**	5,171
Provisions		**40,131**	37,154
		26,895,112	15,704,688
NET CURRENT ASSETS		**19,553,844**	16,508,352
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,061,628**	34,047,575

	2017	2016
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,754,528**	1,236,629
Borrowings – due after one year	**6,841,619**	2,438,008
Obligations under finance leases	**259,299**	88,538
Senior notes and bonds	**15,320,332**	16,804,442
Assets backed securities issued	**185,204**	237,442
Defined benefit obligations	**2,615**	121,781
	24,363,597	20,926,840
NET ASSETS	**17,698,031**	13,120,735
CAPITAL AND RESERVES		
Share capital	**497,868**	497,848
Reserves	**12,139,049**	10,457,503
Equity attributable to owners of the Company	**12,636,917**	10,955,351
Non-controlling interests	**5,061,114**	2,165,384
	17,698,031	13,120,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company is a limited company incorporated in Cayman Islands and its shares are listed on the SEHK. Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRS 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidation financial statements.

Amendments to HKAS 7 disclosures initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flow from those financial assets were or future cash flow will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed (i) changes from financing cash flows; (ii) changes arising from obtaining or loss control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The Group has disclosed a reconciliation between the opening and closing balances of these items. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the addition disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

Except as described below, the directors of the Company do not anticipate that the application of other new and revised HKFRSs and interpretation issued but not yet effective, will have a material effect on the Group's consolidated financial statements in the foreseeable future.

HKFRS 9 "*Financial Instruments*"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "*Financial Instruments: Recognition and Measurement*". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Equity securities classified as available-for-sale investments carried at cost less impairment: these securities qualified for designation as FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial recognition of HKFRS 9, the directors of the Company consider that no significant fair value gain on unlisted equity investments would be adjusted to investments revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continued to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

HKFRS 15 "*Revenue from contracts with Customers*"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company have assessed the impact on application of HKFRS 15 and anticipate an impact on revenue and cost of sales and services from the sale of properties in the following areas:

- The Group has considered all the relevant facts and circumstances in assessing whether the property sales contacts contain significant financing component, including the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transfers the property to the customer and the customer pays for the property and the prevailing interest rates in the relevant market. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

- Currently, the Group expensed off the costs associated with obtaining the property sales contracts with customers. Under the requirement of HKFRS 15, incremental costs of obtaining a contract is eligible for capitalisation as deferred contract costs if they meet certain criteria. Accordingly, the directors of the Company expect a recognition of deferred contract costs amounting to RMB111,000,000, resulting in increase in opening retained profit and recognition of deferred tax liabilities at 1 January 2018.

In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 January 2018.

HKFRS 16 "*Leases*"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "*Leases*" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presented upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group as lessee has non-cancellable operating lease commitments of RMB588,533,000. A preliminary assessment indicated that these arrangements will meet the definition of a lease. Upon application of HKFRS16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of properties	**6,598,470**	8,365,954
Rental income	**243,187**	241,778
Property agency services	**57,967**	26,770
Property operation services	**2,015,378**	1,652,123
Hotel operations	**134,033**	113,867
Others	**733,533**	520,146
	9,782,568	10,920,638

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

The Group has six reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the People's Republic of China (the "PRC")
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation services and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services
Others	–	provision of travel agency services, manufacturing and sale of fuel pumps

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, net exchange gain (loss), loss on early redemption of senior notes, change in fair value of financial assets at FVTPL, share-based payment expenses, finance costs, share of results of associates and joint ventures, gain on disposal of subsidiaries and gain on remeasurement of interests in joint ventures and available-for-sale investment. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale investments, amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties, financial assets at FVTPL, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2017

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property agency services** *RMB'000*	**Property operation services** *RMB'000*	**Hotel operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
External revenues	**6,598,470**	**243,187**	**57,967**	**2,015,378**	**134,033**	**733,533**	**9,782,568**
Inter-segment revenues	**15,970**	**–**	**–**	**84,327**	**–**	**–**	**100,297**
Segment results	**877,444**	**1,088,765**	**23,036**	**504,902**	**(5,802)**	**(171,252)**	**2,317,093**
Segment assets	**27,731,514**	**10,354,247**	**16,391**	**6,351,341**	**1,089,959**	**2,483,425**	**48,026,877**
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(note)*	**473,440**	**2,542,869**	**30**	**2,764,961**	**9,782**	**163,178**	**5,954,260**
Change in fair value of investment properties	**–**	**966,184**	**–**	**–**	**–**	**–**	**966,184**
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	**118,589**	**–**	**–**	**–**	**–**	**–**	**118,589**
Release of prepaid lease payments	**18,200**	**–**	**–**	**–**	**1,018**	**–**	**19,218**
Release of premium on prepaid lease payments	**23,990**	**–**	**–**	**–**	**–**	**–**	**23,990**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**	**50,058**	**50,058**
Amortisation of intangible assets	**–**	**–**	**–**	**28,703**	**–**	**3,496**	**32,199**
Depreciation of property, plant and equipment	**49,939**	**1,178**	**1,960**	**42,112**	**35,084**	**41,903**	**172,176**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**3,146**	**–**	**–**	**3,146**
Allowance for bad and doubtful debts	**11,840**	**–**	**–**	**50,172**	**–**	**–**	**62,012**

For 31 December 2016

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
External revenues	8,365,954	241,778	26,770	1,652,123	113,867	520,146	10,920,638
Inter-segment revenues	17,833	–	–	115,969	–	–	133,802
Segment results	2,657,688	582,346	10,637	405,096	(5,112)	(44,781)	3,605,874
Segment assets	22,327,069	7,217,642	10,859	2,911,791	1,078,297	2,128,935	35,674,593
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(note)*	1,201,428	300,730	113	307,133	19,158	1,643,796	3,472,358
Change in fair value of investment properties	–	405,076	–	–	–	–	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	478,005	–	–	–	–	–	478,005
Release of prepaid lease payments	12,514	–	–	–	1,973	–	14,487
Release of premium on prepaid lease payments	17,874	–	–	–	–	–	17,874
Amortisation of intangible assets	–	–	–	23,107	–	3,497	26,604
Depreciation of property, plant and equipment	49,216	1,128	1,941	41,935	35,454	39,839	169,513
Loss on disposal of property, plant and equipment	–	–	–	4,364	–	–	4,364
Allowance for bad and doubtful debts	11,771	–	–	29,000	–	–	40,771

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets exclude interests in associates and joint ventures, available-for-sale investments, deposits paid for acquisitions of land use rights, subsidiaries and a property project, other receivables (non-current) and deferred tax assets.

Reconciliation:

	2017 *RMB'000*	2016 *RMB'000*
Revenue:		
Total revenue for operating and reportable segments	**9,882,865**	11,054,440
Elimination of inter-segment revenues	**(100,297)**	(133,802)
Group's total revenue	**9,782,568**	10,920,638
Total segment results	**2,317,093**	3,605,874
Elimination of inter-segment results	**(13,470)**	(32,020)
Unallocated amounts:		
Interest income	**88,631**	33,260
Net exchange gain (loss)	**598,535**	(665,820)
Change in fair value of financial assets at FVTPL	**4,457**	2,828
Share-based payment expenses	**(47,216)**	(81,955)
Finance costs	**(1,279,587)**	(932,238)
Share of results of associates	**8,843**	(2,528)
Share of results of joint ventures	**167,670**	48,504
Gain on disposal of subsidiaries	**326,285**	640,080
Gain on remeasurement of interests in joint ventures and available-for-sale investment	**562,719**	–
Loss on early redemption of senior note	**(116,933)**	(29,688)
Other unallocated expenses	**(50,109)**	(80,133)
Profit before tax	**2,566,918**	2,506,164

	2017 *RMB'000*	2016 *RMB'000*
Assets:		
Total assets for operating and reportable segments	**48,026,877**	35,674,593
Unallocated assets:		
Interests in associates	**1,174,908**	735,336
Interests in joint ventures	**1,060,057**	951,667
Available-for-sale investments	**117,663**	30,215
Amounts due from non-controlling shareholders of the subsidiaries	**1,052,812**	82,330
Amounts due from associates	**27,567**	–
Amounts due from joint ventures	**362,935**	355,775
Amounts due from related parties	**–**	233,726
Financial assets at FVTPL	**234,460**	127,275
Restricted/pledged bank deposits	**2,106,552**	1,997,824
Bank balances and cash	**14,335,075**	9,136,526
Other unallocated corporate assets	**457,834**	426,996
Group's total assets	**68,956,740**	49,752,263

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC, Singapore and the United States of America.

During the years ended 31 December 2017 and 2016, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

	2017	2016
	RMB'000	*RMB'000*
Additions to non-current assets		
Reportable segment total	**5,954,260**	3,472,358
Unallocated amount	**4,978**	7,690
Group's total	**5,959,238**	3,480,048
Other material items:		
Depreciation of property, plant and equipment		
Reportable segment total	**172,176**	169,513
Unallocated amount	**4,730**	4,589
Group's total	**176,906**	174,102

4. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Interest income	**88,631**	33,260
Investment income from land development	**–**	5,787
Change in fair value of financial assets at FVTPL	**4,457**	2,828
Unconditional government grants	**11,341**	10,978
Gain on remeasurement of interests in joint ventures and available-for-sale investments	**562,719**	–
Net exchange gain (loss)	**598,535**	(665,820)
Loss on early redemption of senior notes	**(116,933)**	(29,688)
Loss on settlement of defined benefit obligation	**(107,014)**	–
Impairment of goodwill	**(50,058)**	–
Others	**17,371**	57,483
	1,009,049	(585,172)

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on:		
– bank and other borrowings	**602,953**	408,162
– senior notes and bonds	**1,649,157**	1,364,974
– finance leases	**4,815**	5,740
– amount due to a non-controlling shareholder of the Company	**–**	17,996
– assets backed securities issued	**19,332**	6,863
Other finance costs	**21,036**	31,834
	2,297,293	1,835,569
Less: Amount capitalised in properties under development for sale	**(995,433)**	(896,985)
Amount capitalised in investment properties under construction	**(20,523)**	(6,346)
Amount capitalised in construction in progress	**(1,750)**	–
	1,279,587	932,238

During the year ended 31 December 2017, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 9.1% per annum (2016: 9.6% per annum) to expenditures on qualifying assets.

6. PROFIT BEFORE TAX

	2017	2016
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**17,691**	16,962
Other staff's salaries and allowances	**926,644**	913,293
Defined benefit scheme costs	**3,818**	3,736
Retirement benefit scheme contributions	**148,702**	130,091
Share-based payments	**47,216**	81,955
Total staff costs	**1,144,071**	1,146,037
Less: Amount capitalised in properties under development for sale	**(230,522)**	(194,356)
	913,549	951,681
Auditor's remuneration	**5,200**	4,700
Release of prepaid lease payments	**19,218**	14,487
Release of premium on prepaid lease payments	**23,990**	17,874
Depreciation of property, plant and equipment	**176,906**	174,102
Amortisation of intangible assets	**32,199**	26,604
Loss on disposal of property, plant and equipment	**3,146**	4,364
Allowance for bad and doubtful debts, net	**62,012**	40,771
Cost of properties sold recognised as an expense	**4,685,371**	5,951,592
Gross rental income from investment properties	**(243,187)**	(241,778)
Less: Direct operating expenses from investment properties that generated rental income	**15,209**	15,121
	(227,978)	(226,657)
Rental expenses in respect of rented premises under operating leases	**50,675**	47,222

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax in the PRC		
PRC enterprise income tax ("EIT")	**350,960**	848,061
Land appreciation tax ("LAT")	**557,584**	694,351
	908,544	1,542,412
Deferred tax		
Charge (credit) to profit and loss	**248,663**	(100,596)
	1,157,207	1,441,816

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016 final dividend – HK5.00 cents (2016: 2015 final dividend HK5.00 cents) per share	**250,049**	255,793

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2017 of HK7.00 cents, equivalent to RMB5.65 cents (2016: final dividend in respect of year ended 31 December 2016 of HK5.00 cents, equivalent to RMB4.47 cents) per share amounting to approximately RMB325,624,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,154,316**	805,736
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,761,971,836**	5,761,656,613
Effect of dilutive potential ordinary shares:		
Share options	**22,696,062**	15,015,200
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,784,667,898**	5,776,671,813

Those share options granted by Colour Life Service Group Co., Limited ("Colour Life"), a non-wholly owned subsidiary of the Company, and Morning Star Group Limited ("Morning Star"), a wholly owned subsidiary of the Company, have no impact on the computation of diluted earnings per share for both the years ended 31 December 2017 and 2016, where the exercise price of the share options was higher than the average market price of the Colour Life's share, and the impact of Morning Star's share options is anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Hotel operation and travel agency service income are in form of cash sales.

	2017	2016
	RMB'000	*RMB'000*
Trade receivables *(Note)*	**2,081,969**	1,720,333
Other receivables	**495,612**	365,754
Loan receivables	**88,302**	338,708
Prepayments and other deposits	**271,564**	199,897
Prepayments to suppliers	**228,826**	212,178
Prepayments for construction work	**596,232**	1,209,992
Consideration receivables on disposal of subsidiaries	**–**	25,500
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control	**9,000**	332,500
Amount due from Pixian Government	**122,830**	122,830
Amount due from Chengdu Government	**–**	5,061
Other tax prepayments	**402,693**	315,496
	4,297,028	4,848,249
Less: Amounts shown under non-current assets	**(167,624)**	(244,038)
Amounts shown under current assets	**4,129,404**	4,604,211

Note: Trade receivables mainly represented receivables amounting to RMB1,007,710,000 (2016: RMB1,025,932,000) from sales of properties, RMB746,823,000 (2016: RMB350,878,000) from property operation services, and RMB327,436,000 (2016: RMB343,523,000) from other segments.

The trade receivables as at 31 December 2017 included the receivables from the property sales of RMB682,683,000 (2016: RMB583,232,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

The following is an aged analysis of trade receivables of the Group net of allowance for bad and doubtful debts presented based on the date of delivery of the properties to the customers for property sale or the date of rendering of services at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	**989,820**	856,306
31 to 90 days	**639,412**	593,460
91 to 180 days	**212,806**	105,115
181 to 365 days	**141,949**	91,121
Over 1 year	**97,982**	74,331
	2,081,969	1,720,333

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**3,850,108**	2,487,201
Retention payables	**7,310**	7,128
Deposit received *(note 1)*	**567,644**	537,172
Other payables *(note 2)*	**1,333,135**	612,175
Other tax payables	**471,689**	323,933
Accrued staff costs	**625,366**	254,203
Consideration payables for acquisition of subsidiaries	**2,352,484**	169,383
Accruals	**74,732**	53,813
	9,282,468	4,445,008

Note:

1. The balance of deposits received amounting to RMB567,644,000 (2016: RMB537,172,000) mainly represented the earnest money received from potential property buyers.

2. The balance of other payables mainly included receipt on behalf of residents amounting to RMB408,719,000 (2016: RMB220,670,000) and advances for settlement of property services fees amounting to RMB497,537,000 (2016: RMB133,679,000).

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
0 to 60 days	**1,994,373**	1,194,063
61 to 180 days	**905,494**	416,973
181 to 365 days	**642,043**	458,649
1–2 years	**232,191**	324,000
2–3 years	**74,942**	96,064
Over 3 years	**8,375**	4,580
	3,857,418	2,494,329

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

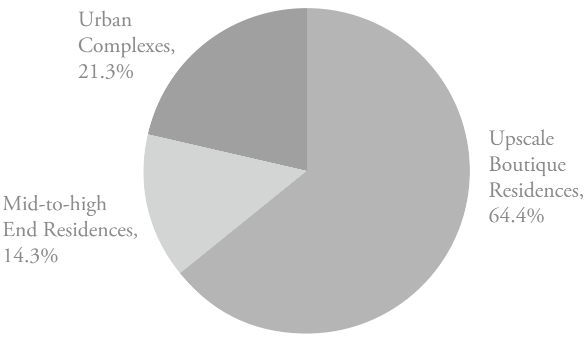
Contracted Sales and Project Development

In 2017, the regulatory policy intensified segment by segment and affected more third and fourth-tier cities. In spite of the rigorous policy of "restriction on housing prices" promulgated by the government, which sets restrictions against various segments, such as land auction, pre-sale certification and sales filing, both sales area and amount of commercial housing, however, recorded new high and area available for sale continued to decline. The growth of land area purchase also turned around. The hot craze of land auction in first and second-tier cities has spread to third and fourth-tier cities, and land lot price also surged. By a clear contrast, both the growth in real estate development investments and newly commenced projects area had slowed down and risks on commercial and office inventories remained. With the current regulating and control directions remaining unchanged, the efforts of various polices not weakened, the stacking effect of these policies will be more in-depth in 2018 in which they will proactively establish a favorable environment for the long-term development of the industry.

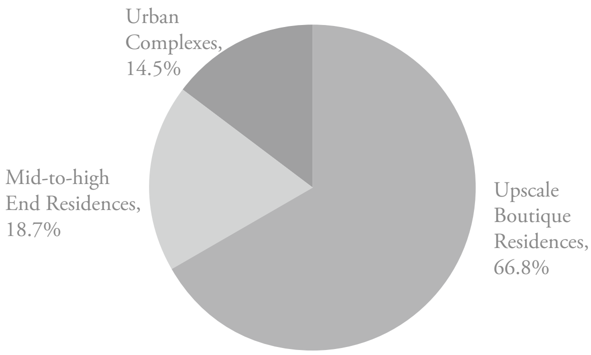
Under the overall tightened control marketing environment, our real estate business maintained its growth momentum against the trend, our long-term products remained popular in the first half year, difficult projects also made some breakthrough and cash collection was assured despite considering sales premium which safeguarded the fund requirements for enterprise's rapid development. Several newly obtained projects were clustered together and launched into the market in the second half year and received good responses from local market with good sales momentum, which established a good foundation in achieving our annual result target. Meanwhile, we put more efforts in acquiring projects, optimized the Group's inventory structure gradually for the purpose of building up our inventories for our long-term strategic development.

During the Period, the Group recorded contracted sales of RMB20,164.3 million and contracted sales area of 1,909,998 sq.m. Of which, RMB4,293.5 million was derived from urban complexes projects, representing approximately 21.3% of the Group's total contracted sales. RMB12,978.6 million was derived from upscale boutique residences projects, representing approximately 64.4% of the Group's total contracted sales; and RMB2,892.2 million was derived from mid-to-high end residences projects, representing approximately 14.3% of the Group's total contracted sales.

Proportion of contracted sales attributable to different product categories



Proportion of contracted sales area attributable to different product categories

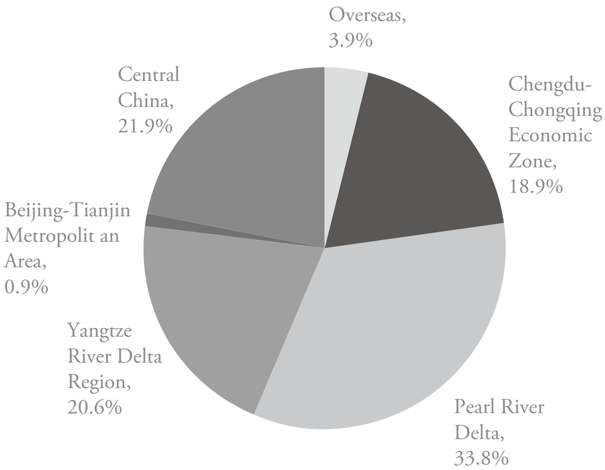


The proportion of contracted sales and contracted sales area attributable to different product categories for the year 2017

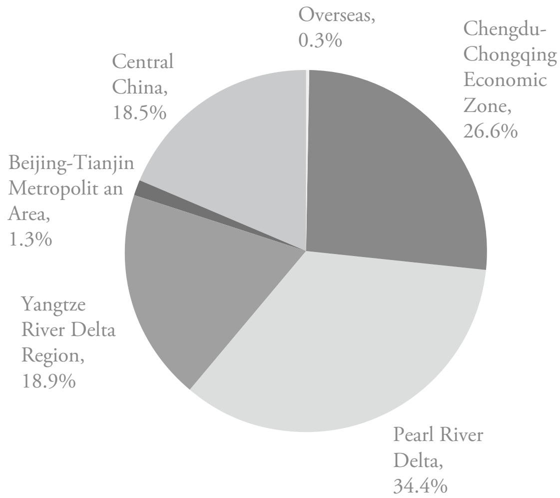
	Amount		**Area**	
	(RMB million)	*%*	*(sq.m.)*	*%*
Urban Complexes	4,293.5	21.3	276,418	14.5
Upscale Boutique Residences	12,978.6	64.4	1,276,036	66.8
Mid-to-high End Residences	2,892.2	14.3	357,544	18.7
Total	20,164.3	100.0	1,909,998	100.0

During the Period, the contracted sales contribution to the Group's real estate business were mainly derived from 14 cities, including Wuhan, Chengdu, Guilin, Huizhou and Nanjing, and 33 projects, including Huahaoyuan (Jinshanghua) at Wuhan, Jiatianxia and Xiangmendi at Chengdu, Chengdu Longnian International Center, Guilin Lakeside Eden and Huizhou Kangchengsiji. As compared to last year, the Group used Wuhan city as a center for the Central China market, Chengdu city as a center for the Chengdu-Chongqing market, Shenzhen city as a center for the Pearl River Delta market and Shanghai city as a center for the Yangtze River Delta market, and earned good reputation and impact in the local markets. These cities became the key locations that contributed to the fulfillment of our target this year. In addition, the Group started trial runs in light assets businesses as well as businesses in the sixth-tier of the real estate sector, and leveraged on the companies' resources in Wuhan and nearby areas such as Jiangyin, Kunming, Huizhou and Jingchuan County in Gansu to boost its business volume.

Contracted sales value distribution in six major regions in 2017



Contracted sales area distribution in six major regions in 2017



Breakdown of the Group's contracted sales in six major regions in 2017

	Amount		**Area**	
	(RMB million)	%	*(sq.m.)*	%
Pearl River Delta	6,814.5	33.8%	656,343	34.4%
Chengdu-Chongqing Economic Zone	3,809.4	18.9%	507,561	26.6%
Beijing-Tianjin Metropolitan Area	191.0	0.9%	25,401	1.3%
Yangtze River Delta Region	4,146.8	20.6%	361,780	18.9%
Central China	4,408.1	21.9%	352,478	18.5%
Overseas	794.5	3.9%	6,435	0.3%
Total	20,164.3	100	1,909,998	100

Pearl River Delta Region

By leveraging on the development of Guangdong-Hong Kong-Macao Greater Bay Area, the Pearl River Delta Region market will become a vital test ground for China to build the world-class city clusters and participate in global competition.

Under the new policy environment, the Group grasped the opportunity to speed up the business development in Shenzhen, Guangzhou, Huizhou and Guilin markets to seek greater business growth and acquire more land reserves. During the Period, the market conditions in Pearl River Delta Region were good, several projects such as Huizhou Kangchengsiji, Guilin Lakeside Eden had robust sale and became the "top sales" projects in this market segment. Meanwhile, the Group actively expanded its projects to the surrounding regions which strongly supported the Group's future development in Pearl River Delta Region.

During the Period, the Group recorded contracted sales area of approximately 656,343 sq.m. in the Pearl River Delta Region and contracted sales of approximately RMB6,814.5 million, attributing to 34.4% and 33.8% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had three projects or phases of projects under construction in the Pearl River Delta Region, with a total planned GFA of approximately 792,775 sq.m. and an estimated saleable area of approximately 613,342 sq.m. The Group also had five projects or phases of projects to be developed in the Pearl River Delta Region, with a total planned GFA of approximately 1,206,524 sq.m.

Chengdu-Chongqing Economic Zone

As a vital economic hub in Southwestern China, the Chengdu-Chongqing Economic Zone shows its robust market demand, and is one of earliest important strategic market of the Group. After 17 years of development in such region, the Group has become one of the most influential branded property developers in the region. During the Period, the Group secured a leading market position in terms of sales performance by integrating hotel, cultural tourism and other resources to improve products and strengthen community management and exceeding the annual target.

During the Period, the Group recorded contracted sales area of approximately 507,561 sq.m. in the Chengdu-Chongqing Economic Zone and contracted sales of approximately RMB3,809.4 million, attributing to 26.6% and 18.9% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had four projects or phases of projects under construction in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 810,437 sq.m. and a saleable area of approximately 617,152 sq.m. Apart from the projects under construction, the Group also had eight projects or phases of projects to be developed in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area ("GFA") of approximately 3,412,303 sq.m.

Beijing-Tianjin Metropolitan Area

The Beijing-Tianjin Metropolitan Area is a vital economic centre in Northern China, thus it has always been one of the Group's expansion focus to enhance the development in this area.

During the Period, the Group accelerated the development of its existing projects in the region and, on top of that, sped up its business expansion in key cities such as Tianjin, Beijing and Shijiazhuang by acquiring land reserves and undertaking new cooperation projects, to grow bigger and have greater influence in regional markets.

During the Period, the Group recorded contracted sales area of approximately 25,401 sq.m. and contracted sales of approximately RMB191.0 million in the Beijing-Tianjin Metropolitan Area, attributing to 1.3% and 0.9% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had two projects or phases of projects under construction in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 18,595 sq.m. and an estimated saleable area of approximately 12,927 sq.m. The Group also had four projects or phases of projects to be developed in the Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 711,947 sq.m.

Yangtze River Delta Region

Yangtze River Delta Region is a resource allocation pivot with great economic vitality, a technology innovation hub with global influence, and a vital international gateway in the Asian-Pacific region. The Group has long been paying great attention to its existing projects and the key cities with high growth potential within the region.

During the Period, the Group focused on customers' needs and strived to develop products with high recognition in the market, thus greatly boosting the sales of key projects and gaining considerable market attention and influence.

During the Period, the Group recorded contracted sales area of 361,780 sq.m. and contracted sales of approximately RMB4,146.8 million in the Yangtze River Delta Region, attributing to 18.9% and 20.6% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had 5 projects or phases of projects under construction in the Yangtze River Delta Region, with a total planned GFA of approximately 933,504 sq.m. and an estimated saleable area of approximately 639,513 sq.m. The Group also had four project or phase of project to be developed in the Yangtze River Delta Region, with a total planned GFA of approximately 505,096 sq.m.

Central China

Central China is the nationwide geographic center with convenient transportation and developed economic conditions. The development in Central China is of strategic significance to the Group. During the Period, the Group proactively promoted the development of its existing projects and seized market opportunities to expedite de-stocking, achieving rapid sales of projects in rigid demand with increasing price premiums and out-performed its annual results. Leveraging on its reputation and customer recognition in regional markets, the Group accelerated its business development and acquired a number of new projects in such key cities as Wuhan, Zhengzhou, Changsha and Xi'an in Central China, laying a solid foundation for its further development in the region in the future.

During the Period, the Group recorded contracted sales area of 352,478 sq.m. and contracted sales of approximately RMB4,408.1 million in Central China, attributing to 18.5% and 21.9% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2016, the Group had two projects or phases of projects under construction in Wuhan, with a total planned GFA of approximately 326,944 sq.m. and an estimated saleable area of approximately 283,042 sq.m. The Group also had five projects or phases of projects to be developed, with a total planned GFA of approximately 732,221 sq.m.

Newly Commenced Projects

During the Period, the Group commenced development of twelve projects or phases of projects with a total planned GFA of approximately 2,248,638 sq.m.

Breakdown of newly commenced projects in 2017

Project item number	Project name	Project location	Nature of land	Expected completion date	Company's interest	GFA *(sq.m.)*
Pearl River Delta						
1	Shenzhen Jiatianxia (深圳家天下)	Kuichong, Shenzhen City	Residential and commercial purposes	2018	10%	64,241
2	Huizhou Kangchengsiji	Zhongkai High-tech Industrial Development Zone, Huizhou City	Residential and commercial purposes	2019	100%	171,108
3	Guilin Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	2019	70%	143,417
Chengdu-Chongqing Economic Zone						
1	Chengdu Xiangmendi (成都香門第)	Pi County, Chengdu City	Residential and commercial purposes	2018	100%	323,248
2	Chengdu Family Isall	Shuangliu District, Chengdu City	Residential and commercial purposes	2019	55%	332,864
3	Chengdu Longnian International	Pi County, Chengdu City	Residential and commercial purposes	2019	100%	59,341
Central China						
1	Wuhan Jinxiu City	Hongshan District, Wuhan City	Residential and commercial purposes	2019	50%	235,746

Project item number	Project name	Project location	Nature of land	Expected completion date	Company's interest	GFA
						(sq.m.)
Yangtze River Delta						
1	Nanjing Gaochun Love Forever (南京高淳花郡)	Gaochun District, Nanjing City	Residential land use	2019	100%	374,999
2	Suzhou Taicang Taigucheng (蘇州太倉太古城)	Zhenghe East Road, Taicang City	Commercial/office purposes	2019	100%	63,741
3	Suzhou Lago Paradise (蘇州太湖天城)	Taihu National Tourism Vacation Zone, Suzhou City	Residential land use	2019	100%	152,006
4	Jiangxi Ganzhou Yunding Mansion (江西贛州雲頂公館)	Ganzhou	Residential and commercial purposes	2018	100%	91,198
5	Ningbo Cixi Yuefu Project (寧波慈溪悅府項目)	North Third Ring East Road and Culture South Road Cross, Ningbo City	Residential purpose	2019	100%	236,729

Completed Projects

During the reporting period, the Group completed 8 projects or phases of projects, with a total GFA of approximately 1,025,848 sq.m.

Breakdown of completed projects in 2017

Project item number	Project name	GFA *(sq.m.)*	Gross saleable area *(sq.m.)*	Area for sales *(sq.m.)*	Contracted sales area *(sq.m.)*	Area held by the Company *(sq.m.)*
Yangtze River Delta Region						
1	Suzhou Hailrun	250,690	124,497	108,110	16,387	–
2	Suzhou Lago Paradise	10,712	10,313	–	10,313	–
3	Nanjing Hailrun Plaza	89,847	78,426	39,660	38,766	–
Pearl River Delta						
1	Huizhou Kangchengsiji	308,711	203,729	6,334	195,670	1,725
2	Guilin Lakeside Eden	73,768	72,458	20,192	52,266	–
Chengdu-Chongqing Economic Zone						
1	Chengdu Grande Valley	42,639	37,334	3,952	33,382	–
2	Chengdu Longnian International	141,450	109,863	1,804	108,059	–
Central China						
1	Wuhan Fantasia Town	108,031	87,954	14,870	83,084	–

Projects Under Construction

As at 31 December 2017, the Group had 16 projects or phases of projects under construction, with a total planned GFA of 2,926,350 sq.m. and a total planned gross saleable area of 2,113,226 sq.m.

Breakdown of projects under construction as at 31 December 2017

Project item number	Project name	Project location	Nature of land	Company's interest	Expected Completion date	GFA *(sq.m.)*	Gross saleable area *(sq.m.)*	Product Category
Huizhou								
1	Huizhou Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial purposes	100%	2018	171,108	139,261	Mid-to-high End Residences
Guilin								
1	Guilin Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	70%	2018	501,521	374,641	Mid-to-high End Residences
Chengdu								
1	Chengdu Longnian International	Pi County, Chengdu City	Residential and commercial purposes	100%	2019	134,117	101,287	Urban Complexes
2	Chengdu Grande Valley	Pujiang County, Chengdu City	Residential land use	70%	2018	20,208	19,693	Boutique Upscale Residences
3	Chengdu Xiangmendi (成都香門第)	Pi County, Chengdu City	Residential and commercial purposes	100%	2019	323,248	246,572	Boutique Upscale Residences
4	Chengdu Family Isall	Shuangliu District, Chengdu City	Residential and commercial purposes	55%	2019	332,864	249,600	Boutique Upscale Residences
Tianjin								
1	Love Forever	Wuqing District, Tianjin City	Residential land use	60%	2017	2,679	2,679	Mid-to-high End Residences
2	Huaxiang	Wuqing District, Tianjin City	Residential land use	60%	2017	15,916	10,248	Boutique Upscale Residences
Suzhou								
1	Suzhou Taicang Taigucheng (蘇州太倉太古城)	Zhenghe East Road, Taicang City	Commercial/ office purpose	100%	2019	63,741	61,010	Urban Complexes
2	Suzhou Lago Paradise (蘇州太湖天城)	Taihu National Tourism Vacation Zone, Suzhou City	Residential purpose	100%	2019	152,006	79,907	Boutique Upscale Residences
3	Ningbo Cixi Yuefu Project (寧波慈溪悦府項目)	North Third Ring East Road and Culture South Road Cross, Ningbo City	Residential purpose	100%	2019	236,729	150,865	Mid-to-high End Residences

Project item number	Project name	Project location	Nature of land	Company's interest	Expected Completion date	GFA *(sq.m.)*	Gross saleable area *(sq.m.)*	Product Category
Wuhan								
1	Wuhan Jinxiu City	Hongshan District, Wuhan City	Residential and commercial purposes	50%	2019	235,746	192,263	Boutique Upscale Residences
Shenzhen								
1	Shenzhen Jiatianxia (深圳家天下)	Kuichong, Shenzhen City	Residential and commercial purposes	10%	2018	64,241	46,690	Urban Complexes
Nanjing								
1	Nanjing Hailrun Plaza	Central North Road, Gulou District, Nanjing City	Commercial land use	70%	2017	206,029	101,184	Urban Complexes
2	Nanjing Love Forever	Gaochun District, Nanjing City	Residential and commercial purposes	100%	2018	374,999	246,547	Mid-to-high End Residences
Ganzhou								
1	Yunding Mansion	Jiangxi Ganzhou	Residential and commercial purposes	100%	2018	91,198	90,779	Mid-to-high End Residences

Projects Held for Development

As at 31 December 2017, the Group had 26 projects or phases of projects held for development, with a total planned GFA of approximately 6,055,964 sq.m.

The following table sets out a breakdown of the Group's projects or phases of projects held for development in the five major regions as at 31 December 2017.

	sq.m.	%
Pearl River Delta	1,283,581	21.2%
Chengdu-Chongqing Economic Zone	2,896,303	47.8%
Yangtze River Delta Region	431,912	7.1%
Beijing-Tianjin Metropolitan Area	711,947	11.8%
Central China	732,221	12.1%
Total	6,055,964	100%

The breakdown of projects held for development as at 31 December 2017

Project item number	Project name	Project location	Nature of land	Company's interest	GFA *(sq.m.)*
Shenzhen					
1	Jiatianxia Project	Kuichong, Shenzhen City	Residential and commercial purposes	10%	187,240
2	Huaxing Industrial Project	Shekou District, Shenzhen City	Commercial and Financial Land	61%	75,130
Subtotal					262,370
Huizhou					
1	Remaining phases of Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial purposes	100%	25,806
2	Qiuchang Project	Danshui Town, Huiyang District, Huizhou City	Residential purpose	100%	188,967
3	Zijin Huafu (紫金華府)	Yeting Road East Road and Xinghe Dongsi Road intersection, Huiyang District	Residential purpose	100%	80,546
Subtotal					295,319
Shanghai					
1	Guobang Huayuan (國邦花園)	Jing'an District, Shanghai City	Office purpose	100%	5,766
Subtotal					5,766

Project item number	Project name	Project location	Nature of land	Company's interest	GFA (sq.m.)
Guilin					
1	Phase D of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	100%	326,135
2	Phase E of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	70%	399,757
Subtotal					725,892
Chengdu					
1	Remaining phases of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary purposes	100%	397,204
2	Remaining phases of Grande Valley	Pujiang County, Chengdu City	Residential and commercial purposes	70%	667,737
3	Chengdu Xiangmendi (成都香門第)	Pi County, Chengdu City	Residential and commercial purposes	100%	166,752
4	Chengdu Family Isall	Shuangliu District, Chengdu City	Commercial cum residential	55%	456,354
5	Phase 2.3 of Chengdu Longnian International Center	Pi County, Chengdu City	Residential and commercial purposes	100%	23,289
6	Chengdu Zhihui City (成都智薈城)	Chongzhou, Chengdu City	Residential and commercial purposes	80%	707,784
7	Ziyang Project (資陽項目)	Southern side of Chengnan Road, Hi-tech District, Ziyang City	Residential cum commercial	91%	477,183
Subtotal					2,896,303

Project item number	Project name	Project location	Nature of land	Company's interest	GFA
					(sq.m.)
Beijing					
1	Yaxinke Project	Fengtai District, Beijing City	Residential purpose	76%	268,174
Subtotal					268,174
Nanjing					
1	Love Forever Project	Gaochun District, Nanjing City	Residential purpose	100%	78,491
2	Nanjing Jiatianxia (南京家天下)	Lishui Economic Development Zone, Nanjing City	Residential and commercial purposes	100%	347,655
Subtotal					426,146
Tianjin					
1	Remaining phases of Love Forever	Wuqing District, Tianjin City	Residential purpose	60%	37,107
2	Remaining phases of Huaxiang	Wuqing District, Tianjin City	Residential purpose	60%	238,327
3	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial and tourism purposes	100%	168,339
Subtotal					443,773

Project item number	Project name	Project location	Nature of land	Company's interest	GFA
					(sq.m.)
Wuhan					
1	Hankou Xingfuwanxiang (漢口幸福萬象)	Next to Hankou City Plaza, Houhu, Jiang'an District, Wuhan City	Commercial purpose	31%	50,417
2	Wuhan Hanzheng Street the First (武漢漢正街一號)	Wusheng Road and Yanjiang Road Cross, Qiaokou District, Wuhan City	Commercial purpose	100%	338,700
3	Wuhan Huahaoyuan Project (武漢花好園項目)	Next to Hankou City Plaza, Houhu, Wuhan City	Commercial and residential purposes	100%	180,000
4	Wuhan Jinshanghua Project (武漢錦上花項目)	Next to metro entrance, Xingye Road, Houhu, Wuhan City	Residential purpose	100%	55,600
5	Phase 2 of Wuhan Baishazhou Jinxiu Town	Hongshan District, Wuhan City	Residential and commercial purposes	100%	107,504
Subtotal					732,221
Total					6,055,964

Land Bank

During the Period, the Group continued to adhere to its prudent investment strategy and its development direction of acquiring land in first-tier cities, such as Beijing, Shanghai, Shenzhen, Wuhan and Chengdu, which enjoy strong market potential and capable of delivering rich returns. As at 31 December 2017, the planned GFA of the Group's land bank amounted to approximately 15,609,140 sq.m. and the planned GFA of properties with framework agreements signed amounted to 6,626,826 sq.m.

Region	Projects under construction	Projects to be developed	Projects under framework agreements	Aggregate planned GFA of land bank	Proportion
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
Chengdu-Chongqing Economic Zone				6,892,739	44.2%
Chengdu	810,437	2,896,303	2,916,682	6,623,422	
Kunming	–	–	269,317	269,317	
Pearl River Delta				4,928,915	31.6%
Shenzhen	64,241	262,370	1,808,564	2,135,175	
Huizhou	171,108	295,319	1,099,900	1,566,327	
Guilin	501,521	725,892	–	1,227,413	
Beijing-Tianjin Metropolitan Area				771,801	4.9%
Beijing	–	268,174	41,259	309,433	
Tianjin	18,595	443,773	–	462,368	
Yangtze River Delta				1,521,670	9.7%
Suzhou	452,476	–	56,254	508,730	
Shanghai	–	5,766	–	5,766	
Nanjing	581,028	426,146	–	1,007,174	
Central China				1,494,015	9.6%
Wuhan	235,746	732,221	434,850	1,402,817	
Ganzhou	91,198	–	–	91,198	
Total	2,926,350	6,055,964	6,626,826	15,609,140	100%

Colour Life

During the Period, the Group persisted in its discretionary authorisation plus platform cooperation expansion strategy to maintain rapid growth of its platform service segment. As at 31 December 2017, Colour Life had a total contractual management area of 440.0 million sq.m. and rendered services to a total of 2,384 communities, representing year-on-year (YoY) increases of 40.9 million sq.m. and 45 communities, respectively. Most of the newly-added communities under contractual management were obtained by way of discretionary authorisation, fully indicating the industry market competitiveness and brand awareness of Colour Life. Existing projects managed by Colour Life are distributed across 222 Chinese cities and Singapore, forming a business landscape covering Eastern China, Southern China, Northwestern China, Southwestern China, Northeastern China, Northern China, Central China as well as Singapore and Hong Kong. Meanwhile, Colour Life established connections with excellent partners in the industry through platform cooperation and exported its underlying technology of Colour Life to help them exploring new source of value-added services without separating the profits of fundamental property services owned by cooperative partners at the same time. Since it launched the platform cooperation model, Colour Life has received receptive responses from industry cooperative partners. As at 31 December 2017, Colour Life has established partnerships with 50 community services companies, including Lanzhou Chengguan Property Services Group Co., Ltd., Jiangsu Zhongzhu Property Services Development Co., Ltd., Hubei Yunfan Property Services Co., Ltd. and Changsha Guanlan Lake Property, with a total cooperatively-managed area of 460.0 million sq.m. As at 31 December 2017, the service area under Colour Life's platform reached 900.2 million sq.m., including a self-managed area of 436.0 million sq.m. and a cooperatively-managed area of 464.2 million sq.m.

With continuous expansion in service scale of the platform, as at 31 December 2017, the number of registered users of Caizhiyun (彩之雲) had exceeded 10.34 million, of which 3.494 million were active users, representing an increase of 241.7% and 101.2% respectively as compared to the end of 2016, with 33.8% high level active users. The core mission for Colour Life in the future is to gradually turn registered users into active users and then consumer users eventually through online plus offline operating strategy to fuel the growth of trading volume and value-added business.

In 2017, the construction of Colour Life's ecosystem achieved tremendous progress as the vertical applications connected to the platform performed well. In particular, the number of E Elevator on the platform surpassed 100,000 units and more than 70% were from non-Colour Life community. E Energy, E Parking and E Rental were well received by the market by virtue of their efficient and quality services, thus achieving considerable revenue and profits. In 2017, the Gross Merchandise Volume (GMV) of Caizhiyun platform amounted to RMB7.61 billion; the revenue from its value-added business amounted to RMB276.8 million for the year, representing a YoY growth of 76.5% with a high gross profit margin of 82.0%. Such revenue contributed to 42.9% of Colour Life's segment profit and was the second largest source of revenue and profit in the business distribution, marking the transformation and upgrading of Colour Life into a new development stage.

In 2017, Colour Life's core product "Two Colours" continued to maintain rapid growth momentum. The newly yearly cumulative turnover of "Colour Wealth Life Value-added Plan" amounted to RMB5.68 billion. Meanwhile, "Colour Life Residence" made a shift from typical one-off house sale of developers to the sales pattern of "House Plus Services", which had been implemented in 67 cities nationwide, such as Nanjing, Chengdu, Changsha, Wuhan, Xuzhou, Fuzhou, Wuxi and Huizhou. Colour Life also entered into cooperation agreements regarding Colour Life Residence with 41 developers, including Anhui Goocoo Group (安徽國購集團) and Xi'an Ronghua Group (西安榮華集團), and developed such innovative products as "Colour Parking Spaces" to activate the remnant assets of parking spaces to its maximum. In 2017, the total house sales of Colour Life Residence reached 10,057 units. The penetration of Colour Life Residence has cumulatively generated a large quantity of "meal coupons" offered by the developers to homeowners as rebates. Such meal coupons, serving as a bridge between products and services, will form a strong purchasing power on the platform and consequently, attract more excellent suppliers and entrepreneurs to join the platform, creating a virtuous cycle for Colour Life's ecosystem.

Furthermore, at the extraordinary general meeting of Colour Life held on 28 February 2018, the proposed resolutions about the acquisition of Wanxiangmei Property Management Co., Ltd. (Wanxiangmei) were duly passed by Independent Shareholders. Therefore, Wanxiangmei will become a subsidiary wholly-owned by Colour Life in 2018.

Wanxiangmei provided property management services to over 132 communities and the GFA of these communities reached over 40 million sq.m. For the ten months ended 31 October 2017, Wanxiangmei recorded a net profit of RMB235 million, representing an increase of 15 times from the corresponding period in 2016. After consolidating Wanxiangmei, Colour Life's financial data will have more growth potential and generate more synergy by bringing Colour Life's advanced management model and various value-added services to the communities under Wanxiangmei's management.

Home E&E

Leveraging on the Group's eight segment resources and financial platform, the Group's Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團有限公司) ("Home E&E", and together with its subsidiaries the "Home E&E Group"), through continuous innovation, built up an online & offline commercial community eco-platform similar to Fantasia in nature. Existing projects cover over 60 cities across the country with a management area of 35 million sq.m., forming a strategic business landscape covering the core regions in China, including Northern China, Central China, Eastern China, Southern China, Southwestern China and Northwestern China.

In order to strengthen its management, improve its operating performance and achieve customers value conversion, in 2017, the standardised, professionalism, intelligentized and technology-based management was put into practice. The operation of its subsidiaries in various cities was strengthened by implementing the principles of "making comparison with counterparts; drawing strong points and seeking help from others; narrowing the development gap; standing out beyond the rest" For customer services, it applied 110 minor innovations to improve on-site service quality of various projects and achieve its management results. For project management, firstly, it obtained elevator maintenance qualifications and filed on records in 15 cities, and began to undertake elevator maintenance business; secondly, it gradually implemented the initiative to build intelligent equipment rooms in various cities to improve its equipment management.

For commercial property asset management, the leasing business with around 40 projects has sprawled in more than 20 cities nationwide, including Shenzhen, Shanghai, Tianjin, Chengtu and Qingdao. Our marketing agencies projects were carried out in Nanjing, Nanchang, Hefei and Chengdu, with substantial completion in their structural framework establishment. Meanwhile, multi-service pattern works relating to industrial parks, intelligent community and community finance need to have in-depth customer needs understanding and optimised resources allocation. The asset management capability is strengthening gradually and has become the core competitiveness of Homer E&E to drive its further growth and make further strides towards the goal of becoming a leading commercial operator of community assets services in China.

Financial Group

Since 2013, leveraging the Group's strong community service operating platform, community finance has become an important driving force and one of the core business sectors in the Group's "Community Plus" strategy. Adopting the innovative internet finance model, a new path way of development for the unique Fantasia "Community Plus Finance" was opened up through the provision of a variety of financial services such as internet financial service platform, Shuangqianzhifu, financial leasing, commercial factoring and insurance brokerage, with one-stop access in the community setting.

Qian Sheng Hua (錢生花), the online financial platform of the Community Financial Group, now covers the mainstream online channels such as PC based computer and app-based mobile phone channels. In 2017, the number of registered users of Qian Sheng Hua increased by 1,220,000, with cumulative platform registered users over 3,100,000, and total investment for the year was RMB8.135 billion. On 6 December 2017, cumulative investment of the platform exceeded RMB10 billion, officially entered the 10 Billion Club. In the same year, its asset size increased to RMB6.5 billion with total assets of RMB11 billion. In 2017, the personal assets growth rate was as high as 1.5 times.

"Heying (合盈)" financial leasing and factoring company is an important business segment of the Community Financial Group. In 2017, while promoting its distinctive business model based on community leasing, the segment developed quality clients in five major cities (Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei Region, the middle reaches of Yangtze River and Chengdu-Chongqing), thereby enhancing its brand reputation on a continuous basis. In 2017, the company achieved breakthroughs in external financing and obtained banking facilities. Currently, the company invested approximately RMB2 billion cumulatively, with a fourfold increase in sales revenue as compared to the same period of last year and its net profit increased by 19 times year on year, thus achieving rapid and sound business growth. The company kept increasing its asset size while maintaining good asset quality. In 2017, the financial leasing and factoring company segment landed a batch of renowned clients, which improved the quality of its customer base and enabled it to fulfill its investments in various key industries such as community leasing, automobile manufacturing, new energy environmental protection, information and communication, medical treatment and intelligent manufacturing, representing a total contract value of over RMB1 billion.

Zhong An Xin (中安信). 2017 was the transformation year of Zhong An Xin, our insurance brokerage business. In this year, the company completed its business strategic adjustment, built a team comprising high-caliber professional managers and determined three major business development directions, namely, expanding market business, exploring derivative business and carrying out innovative business. Internally, the company connected different segments of the Group, explored internal insurance requirements and provided insurance consulting services for the Group's staff and asset security. Meanwhile, in collaboration with Colour Life and Caifubao, it launched platform order insurance, borrower accidental insurance, premium loan and other projects. Externally, it took an active part in large market businesses including subway engineering insurance, highway engineering insurance and lithium industry insurance, etc. It strived to promote business innovation and carried out internet insurance business one after another. In 2017, it generated a brokerage income of over RMB28 million, involving a premium portfolio of RMB170 million, which had quickly reversed the existing single business type and slow income growth situation and enhanced the brand recognition of the company.

In the future, Community Financial Group will continue to build on its innovative online-to-offline ("O2O") community financial service platform to provide customers with innovative, convenient, comprehensive and valuable financial services, and strive to become a considerate wealth management agency serving community households.

Business Management Arm

Upholding the business philosophy of "steady expansion from a small niche", in 2017, Fantasia Business Management undertook entrusted asset management projects in a more active manner to build up urban key projects. By doing so, it gradually established strategic presence in four major regions, namely Eastern China, Southern China, Central China and Southwestern China, and has undertaken over 40 such projects in such provinces as Tibet, Jiangxi, Jiangsu, Sichuan, Guangdong, Hunan and Guizhou. In particular, "Jiangsu Yangzhou Joy Commercial Plaza", "Jiangsu Yangzhou Libao Commercial Plaza" and "Lhasa Fantasia World Outlets" have opened for business. In addition, Nanjing Hailrun OMG Mall, Huizhou Kangchengsiji Zhimatang, Shenzhen Longhua Fuchi Building, Guiyang Karst Urban Plaza and Kunming Lingxiu Knowledge Town have been scheduled to open for business, and several projects are being developed. While consolidating its fundamental business model, FBM is keeping up with the times by vigorously developing new cooperative models and strengthening the implementation in new retail models and vertical operation. With the growth of its entrusted asset management business, FBM will provide homeowners across the country with more quality services to harvest greater returns.

With an occupancy rate of over 90%, Nanjing OMG Mall recorded a total income of nearly RMB26 million in 2017. In Nanjing or even Jiangsu Province, Nanjing OMG Mall has become a renowned community business complex. In May 2017, FBM set up a Nanjing-based subsidiary as its regional core business in the Eastern China market to extend positive influence to the surrounding cities, marking another milestone in its development. Guilin OMG Mall commenced operation on 19 June 2015 and, with an occupancy rate of over 91%, recorded a total income of over RMB11 million for the year of 2017, committed to becoming a flagship shopping mall in Lingui New District or even Guilin City. "Fantasia World Outlets" in Pi County, Chengdu commenced operation on 23 December 2016, and recorded a total income of over RMB10 million in 2017, thus maintaining a strong growth momentum. In addition, Chengdu Hongtang Project and Suzhou Hongtang Project have signed merchants up for their anchor stores and sub-anchor stores, and preparations for opening for business are underway in full swing.

The brand image and awareness of FBM have been greatly improved, creating its unique brand influence in the industry. FBM will continue to scale up entrusted management of business assets, and follow the "asset-light and heavy" strategy to seek for asset-heavy business partners nationwide on the basis of its existing entrusted asset management services. As such, we believe that FBM will yield stable and growing returns.

Cultural and Tourism Group

In 2017, the Cultural and Tourism Group made an all-round layout to accelerate the development of community tourism and aviation segments. Based on the DaXigu Tourist Resort in Pujiang County, Chengdu, Longtuo Bay (龍托灣) and Dalunan Ryuuanji (龍安寺) and leveraging on its own industry resources, the Cultural and Tourism Group was considering to build up a flagship tourist town integrating "culture, tourism and aviation" with Fantasia's characteristics. This project will focus on family recreation and children education, offers buddhism music as a special treat and leisure agriculture and sports as supplementary services, with a view to creating vacation lifestyle with buddhism sense. The joining of Morning Star and Tiantai Travel Agency laid a solid foundation for open up the travel community platforms and providing all-round accommodation businesses in the future. FuNian Jet Aviation won 91 air operation certificates and LOA certificate issued by FAA successively and completed its maiden flight successfully. FuNian Jet Aviation is principally engaged in aircraft escrow, charter flights and special tourism projects while developing aviation maintenance, aviation training and other related business. Domestically, it mainly provides flexible, efficient and private jet business services for high-net-worth individuals, business elite, government officials, entertainers and stars. Hotel business was redesigned in the second half of 2017, with the focus will be on the promotion of "U Hotel Shenzhen" and "Tianjin U Hotel". "U Hotel" will build on its own resources and its mature customer base, in a bid to continuously extend the brand's business scope.

In the new year, the Cultural and Tourism Group will use community big data to interact with customers and improve customer loyalty, with a view of building a community and business ecosystem. Meanwhile, it will strive to translate such ecosystem into an asset-light management business, accelerate the development of aviation business, and build up a business network for tourism development and operation.

Futainian

During the reporting period, Futainian has comprehensively implemented its elderly care business that combines institutional care services, community care services and home care services.

In terms of institutional care services, the annual occupancy rate of Fulin Retirement Home remained at over 95% as Futainian constantly enhanced its service quality to improve the service experience of the elderly and their family members. Meanwhile, it introduced advanced management concepts and care technology from abroad and gradually established an institutional standard management system and management manual to enable the seniors to enjoy warm-hearted and quality elderly care services with dignity, with an effort to build Fulin Retirement Home, a paradise full of love for the elderly. In terms of community care services, Futainian integrated the resources from all aspects of retirement service with mutual support as its core, received government grants and public service funding. For home care services, Futainian proactively engaged in the government's procurement projects on homecare services. As at December, it won the three-year government-sponsored home care project tender, a project that designed to serve the elderly in eight streets of the Hi-tech District and Wuhou District. Futainian made great breakthroughs in the transformation and promotion of service catered for elderly.

In 2018, Futainian will accelerate the development of Fulin into a chain brand, implement standard institutional management system to form a standardised operation and management system of Fulin institutional care services and create its brand influence with all its strength. It will deepen the bonds with the elderly and expand the influence of community care services through public service funding. At the same time, it will vigorously develop pension members based on Futainian membership system, improve big databases and conduct in-depth analysis and study of the health management practices, consumption habits and purchasing power of the elderly being served. For home care services, it will deepen door-to-door model and service standards in government procurement and introduced the "self-help plus support" technology into home services, thereby building a professional image featuring "hearted", "assured" and "thoughtful" home services.

Education

The education arm of the Group serves as an innovative industry platform based on its long-term planning and strategic layout of four major communities and four major apps, with a view to promote rapid business growth and fostering household customer loyalty. The education arm adopts a family-based approach and integrates internal and external community resources to build innovative platforms that provide modern education services and child growth experience. The platforms will have talents to provide families with high quality services, and can create a unique experience-based environment for children growth and family education.

In 2017, the Group's education arm achieved rapid growth in its business lines, i.e. community education, vocational education and civil education.

In terms of community education, in June last year, the second child growth experience center in Dongguan, Guangdong Province was put into operation, signifying the growing influence of its community education in Southern China. The child growth experience centers, which serve as a means of in-depth interaction between our own property service brand and families in communities, have gained a good reputation among targeted customers. The innovative community education model and rich community activities have attracted the attention of educational institutions, government authorities and the media. In 2018, the community education will focus on improving its brand system and build a new model of exporting management externally.

For the vocational education, the education arm designed a series of new products and services and launched an online platform in 2017. By enhancing its training courses, training system and service system, the education arm cultivated reliable talent teams for its vocational education business, thereby gaining better recognition of its services from community residents. At the same time, leveraging on the community resources as well as its Internet platform, the education arm continued to extend the community coverage of its vocational education business by rapidly developing community bases, and established stable and praisable connections to collect large amounts of family data.

For the civil education, the education arm sped up its investment in mergers and acquisitions of, educational cooperation with kindergartens, international schools and private vocational schools. In doing so, it expects to further improve its whole product chain in the education industry, so as to provide community residents with a full range of education products.

In next three years, the education arm of the Group will continue to focus on first and second-tier cities in China to rapidly expand three major business lines, i.e. community education, vocational education and civil education. Through brand building and development of quality products and services, it will provide community families with quick, convenient and excellent educational solutions and create value for society, enterprises, families and individuals.

Fund Company

Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. (深圳前海嘉年投資基金管理有限公司), is a professional private fund management platform of the Group engaging in entrusted management of equity investment fund, equity investment,entrusted asset management and investment management.

Trading Company

Shenzhen Kangnian Technology Co., Ltd. is a professional company under the Group engaging in domestic and foreign trade of copper rods and copper plates, deformed steel bars and billets, energy and fossil products, glasses and paper pulp. During the reporting period, the sales proceeds of Kangnian and our other trading companies was approximately RMB10 billion.

Soushe Research Institute

Shenzhen Soushe Community Services Development Research Institute Co., Ltd. (深圳市搜社社區服務發展研究院有限公司) is a comprehensive strategic advisory institution for community services development that launched with the involvement of the Group. The company put forward "Community Thermometer", a comprehensive index system measuring community development, which is an untraditional and innovative move that caused industrial sensation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from the (i) sales of our developed properties, (ii) lease of investment properties, (iii) provision of property agency and related services, (iv) provision of property operation and related services, (v) provision of hotel management and related services and (vi) provision of travel agency service respectively. For the year ended 31 December 2017, revenue of the Group amounted to approximately RMB9,783 million, representing a decrease of 10.4% from approximately RMB10,921 million in 2016. Profit for the year attributable to the owners of the Company was approximately RMB1,154 million, representing an increase of 43.3% from approximately RMB806 million in 2016.

Property Development

The Company recognised revenue from the sale of properties when significant risks and rewards of ownership have been transferred to purchaser, i.e., when relevant property has been completed and the possession of the property delivered to purchaser. Revenue from property development represents proceeds from sales of the Group's properties held for sale. Revenue derived from property development decreased by 21.1% to approximately RMB6,598 million in 2017 from approximately RMB8,366 million in 2016, which was primarily due to the reduced number of newly-recognised properties brought forward to this year as compared to last year.

Property Investment

Revenue generated from property investment increased by 0.6% to approximately RMB243 million in 2017 from approximately RMB242 million in 2016. The increase was primarily due to additional area of investment properties leased externally.

Property Agency Services

Revenue derived from property agency services increased by 116.5% to approximately RMB58 million in 2017 from approximately RMB27 million in 2016. The increase was primarily due to the increase in the number of communities that the Group had provided agency services and management services to.

Property Operation Services

Revenue derived from property operation services increased by 22.0% to approximately RMB2,015 million in 2017 from approximately RMB1,652 million in 2016. The increase was primarily due to the expansion of its property segment and the increase in both the GFA of the properties under the Group's management and the scope of value-added services provided in 2017.

Hotel Operations

Revenue derived from hotel services increased by 17.7% to approximately RMB134 million in 2017 from approximately RMB114 million in 2016. The increase was primarily due to the enhanced popularity of the Four Points by Sheraton Chengdu Pujiang Resort and the noticeable growth in its revenue since its opening in late 2016 as well as optimization of hotel assets by closing ill-operated hotels.

Others

It principally involved Morning Star acquired in end December 2015 and American ASIMCO Investments III Ltd. acquired in June 2016.

Gross Profit and Margin

Gross profit decreased by 17.9% to approximately RMB2,898 million in 2017 from approximately RMB3,528 million in 2016, while the Group's gross profit margin was 29.6% in 2017 as compared to a gross profit margin of 32.3% in 2016. The decrease in gross profit margin was due to lower gross profit of newly-recognised properties brought forward to 2017 as compared to last year.

Other Income, Gain and Losses

In 2017, the Group recorded other net gain of RMB1,009 million, (2016: net loss of RMB585 million). Such a difference was mainly attributable to the exchange gain of RMB599 million in 2017 (2016: exchange loss of RMB666 million) and the acquisition of Shenzhen Xingfu Wanxiang Investment Partnership Co., Ltd., and Nanjing Zhongchu Real Estate Development Co., Ltd. which changed from joint venture enterprises to subsidiaries with gain on remeasurement of RMB459 million and RMB103 million respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 87.6% to approximately RMB418 million in 2017 from approximately RMB223 million in 2016. The increase was mainly due to the increase in advertising expenses of physical-form advertisements, sales agency fee and other expenses.

Administrative Expenses

The Group's administrative expenses increased by 44.5% to approximately RMB1,230 million in 2017 from approximately RMB851 million in 2016. This increase was mainly due to the increase in staff headcount that required to support the scale of the Group's operation due to expansion during its development and transformation to become a community-based company.

Finance Costs

The Group's finance costs increased by 37.3% to approximately RMB1,280 million in 2017 from approximately RMB932 million in 2016. The increase in finance costs was mainly due to the increase in average annual balance of interest-bearing liabilities, which offsets the effect arising from the slight decrease in overall interest rate.

Income Tax Expenses

The Group's income tax expenses decreased by 19.7% to approximately RMB1,157 million in 2017 from approximately RMB1,442 million in 2016. This decrease was mainly due to more non-taxable income generated in 2017 as compared with the corresponding period of last year, as well as sales decrease in real estate market in 2017 as compared to last year which led to a synchronous decrease in EIT and LAT.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 43.3% from approximately RMB806 million in 2016 to approximately RMB1,154 million in 2017.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2017, the Group's bank balances and cash were approximately RMB16,442 million (2016: approximately RMB11,134 million), representing an increase of 47.7% as compared to that as at 31 December 2016. A portion of the Group's cash is restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits are related to.

Net Gearing Ratio

The net gearing ratio was 76.0% as at 31 December 2017 compared to that of 83.0% as at 31 December 2016, representing a substantial decrease of 7.0 percentage points. The net gearing ratio was measured by net debt (total borrowings, senior notes and bonds and assets backed securities issued, net of bank balances and cash and restricted/pledged bank deposits) over total equity.

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group had an aggregate borrowings, senior notes and bonds and assets backed securities issued of approximately RMB9,864 million (31 December 2016: approximately RMB3,367 million) and approximately RMB19,805 million (31 December 2016: approximately RMB18,380 million) and approximately RMB228 million (31 December 2016: approximately RMB275 million), respectively. Amongst the borrowings, approximately RMB3,022 million (31 December 2016: approximately RMB929 million) will be repayable within one year, approximately RMB6,718 million (31 December 2016: approximately RMB2,336 million) will be repayable between two to five years and approximately RMB124 million (31 December 2016: approximately RMB103 million) will be repayable after five years. Amongst the senior notes, approximately RMB4,484 million (31 December 2016: approximately RMB1,575 million) will be repayable within one year and approximately RMB15,320 million (31 December 2016: approximately RMB16,804 million) will be repayable after one year.

As at 31 December 2017, a substantial part of the borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through pledging their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings, obligations under finance leases and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. During 2017, exchange rates of RMB against U.S. dollar and Hong Kong dollar decreased significantly and exchange gain of RMB599 million was generated.

Commitments

As at 31 December 2017, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB2,672 million (2016: RMB1,604 million).

Contingent Liabilities

As at 31 December 2017, the Group had provided guarantees amounting to approximately RMB7,297 million (2016: approximately RMB6,258 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2017 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2017, excluding the employees of communities managed on a commission basis, the Group had approximately 31,059 employees (31 December 2016: approximately 29,038 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2017 amounted to approximately RMB1,144 million (2016: approximately RMB1,146 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted the share option scheme on 27 October 2009. As at 31 December 2017, a total of 142,660,000 share options were granted and 0 (2016: 0) share options had lapsed while 225,000 (2016: 618,000) share options had been exercised during the year. As at 31 December 2017, the number of outstanding share options was 85,101,000.

DIVIDENDS DISTRIBUTION

The Directors recommended the declaration of a final dividend at the rate of HK7.00 cents per share, payable on Wednesday, 27 June 2018, to all persons registered as holders of shares of the Company on Tuesday, 5 June 2018, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 29 May 2018, the register of members of the Company will be closed on Wednesday, 23 May 2018 to Tuesday, 29 May 2018, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2018.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Monday, 4 June 2018 to Tuesday, 5 June 2018, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 1 June 2018.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 29 May 2018 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange in due course.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules. For the period throughout the year ended 31 December 2017, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save and except for code provisions A.2.1 and E.1.2 of which will be explained below.

In respect of the code provision A.2.1 of the Corporate Governance Code, Mr. Pan Jun is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

In respect of the code provision E.1.2 of the Corporate Governance Code, the Chairmen of the Remuneration Committee was not present at the AGM of the Company held on 24 May 2017 due to other business commitment and no delegate was appointed to attend the AGM.

Audit Committee

The Company has established the audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Audit Committee on 22 December 2015. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The annual results of the Company have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all the Directors and all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Senior Notes

On 13 June 2017, the Company issued senior notes due 2018 with principal amount of USD350,000,000 at a coupon rate of 5.5% per annum (the "5.5% Original Notes due 2018") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the 5.5% Original Notes due 2018 are disclosed in the announcements of the Company dated 6, 7 and 14 June 2017.

On 5 July 2017, the Company issued senior notes due 2022 with principal amount of USD300,000,000 at a coupon rate of 7.95% per annum (the "7.95% Original Notes due 2022") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the 7.95% Original Notes due 2022 are disclosed in the announcements of the Company dated 28 June, 29 June and 7 July 2017.

On 18 September 2017, the Company issued additional 5.5% senior notes due 2018 in the principal amount of US$137,000,000 on terms and conditions of the 5.5% Original Notes due 2018 (the "5.5% Additional Notes due 2018"), which is consolidated and form a single series with the 5.5% Original Notes due 2018, for the purposes of refinancing certain of its existing indebtedness.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnfantasia.com). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

The development of the Group was founded on the tremendous support from all parties in the society and the contributions of our dedicated staff. On behalf of the Board, the Company would like to take this opportunity to express its heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. Looking forward, the Group will build a coordinated organic ecosphere based on the financial services and the Internet, actively promote the globalisation of our development strategies and step by step shift towards light asset based business. It will also gradually adopt an organisation structure that separates the operation of front and back offices and supervise their coordination, so as to establish itself as an integrated strategic investment holding group. The Group will adhere to the brand vision of "Fantasia Creates Value" and endeavour to create maximum value and best return for shareholders and investors.

On behalf of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 19 March 2018

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Lam Kam Tong and Mr. Deng Bo; the non-executive Directors are Mr. Li Dong Sheng and Mr. Liao Qian and the independent non-executive Directors are Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.