五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL RESULTS

The board of directors ("Directors") of Minmetals Land Limited ("Minmetals Land" or the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative figures prepared under Hong Kong Financial Reporting Standards ("HKFRS"), as follows:

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MINMETALS LAND LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Minmetals Land Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 8 to 93, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">Valuation of investment properties</td></tr>
<tr><td>We identified the valuation of investment properties as a key audit matter because the valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgemental. Any changes to these inputs may have a significant impact on the fair value. Management determined the fair value of the Group's investment properties at 31 December 2017 with the assistance of an independent external valuer.

Details of the investment properties and the related key estimation uncertainty are set out in Notes 14 and 4, respectively, to the consolidated financial statements.</td><td>Our procedures in relation to management's valuation of investment properties included:

• Evaluating the competence, capabilities and objectivity of the external valuer engaged by management.

• Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer to understand the basis of determination of valuation.

• Challenging the external valuer the methodologies and judgements used in valuing the investment properties and obtaining the market evidence that the external valuer used to support the key inputs.

• Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation techniques and significant unobservable inputs in the consolidated financial statements.</td></tr>
</table>

Revenue from sales of properties	
We identified the revenue from sales of properties as a key audit matter due to the significance of the amount and volume of sales transactions recognised during the year. Details of revenue from sales of properties are set out in Note 5 to the consolidated financial statements.	Our procedures in relation to revenue from sales of properties included: • Testing key internal controls over revenue recognition on a sample basis. • Selecting property sales transactions on a sample basis and: - reading the signed sales and purchase agreements to understand the relevant terms of the timing of property delivery and title transfer. - obtaining evidence regarding the property delivery and title transfer. - reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mok Sau Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	11,935,505	11,576,345
Cost of sales		(7,841,935)	(9,316,033)
Gross profit		4,093,570	2,260,312
Other income, other gains and losses	7	61,306	81,644
Fair value changes on investment properties	14	151,334	123,977
Selling and marketing expenses		(185,569)	(218,096)
Administrative and other expenses		(590,113)	(423,903)
Finance income	9	147,039	241,362
Finance costs	9	(114,674)	(55,669)
Share of results of associates	16	(2,495)	(12,135)
Share of results of joint ventures	17	(2,610)	-
Profit before tax		3,557,788	1,997,492
Income tax expense	10	(2,108,987)	(1,000,313)
Profit for the year	6	1,448,801	997,179
Profit for the year attributable to:			
Equity holders of the Company		712,914	512,058
Holders of perpetual capital instruments		1,303	-
Non-controlling interests		734,584	485,121
		1,448,801	997,179
Earnings per share for profit attributable to equity holders of the Company, in HK cents			
Basic	11	21.32	15.31
Diluted	11	21.30	15.30

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	1,448,801	997,179
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	1,000,250	(1,045,516)
Fair value (loss)/gain on hedging instruments in cash flow hedges	(39,552)	115,637
Share of other comprehensive income/(expense) of associates	79,886	(78,151)
Share of other comprehensive income of joint ventures	3,156	-
	1,043,740	(1,008,030)
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of owner-occupied properties upon transfer to investment properties	-	3,045
Fair value gain /(loss) on financial assets at fair value through other comprehensive income	311,135	(129,063)
	311,135	(126,018)
Other comprehensive income/(expense) for the year	1,354,875	(1,134,048)
Total comprehensive income/(expense) for the year	2,803,676	(136,869)
Total comprehensive income/(expense) for the year attributable to:		
Equity holders of the Company	1,904,065	(363,145)
Holders of perpetual capital instruments	1,303	-
Non-controlling interests	898,308	226,276
	2,803,676	(136,869)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	190,025	186,661
Investment properties	14	1,814,294	1,662,326
Goodwill	15	-	8,879
Interests in associates	16(a)	1,218,443	1,141,052
Interests in joint ventures	17(a)	99,065	-
Financial assets at fair value through other comprehensive income	21	792,817	481,682
Other financial assets	22	76,085	115,637
Deferred tax assets	29	1,096,579	560,757
		5,287,308	4,156,994
Current assets			
Inventories	18	25,353,243	18,919,140
Amounts due from customers for contract work	19	119,020	347,537
Prepayments, trade and other receivables	20	12,003,147	11,764,690
Cash and bank deposits, restricted	23	623,774	242,201
Cash and bank deposits, unrestricted	24	5,631,889	5,431,519
		43,731,073	36,705,087
Total assets		49,018,381	40,862,081
EQUITY			
Share capital	25	334,503	334,444
Reserves	26	8,018,174	6,247,680
Equity attributable to equity holders of the Company		8,352,677	6,582,124
Perpetual capital instruments	27	2,393,903	-
Non-controlling interests		2,855,958	1,967,748
Total equity		13,602,538	8,549,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AS AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	10,770,064	11,314,859
Deferred tax liabilities	29	168,431	131,080
Other liabilities		223	386
		10,938,718	11,446,325
Current liabilities			
Borrowings	28	3,978,151	299,564
Other financial liabilities	22	41,960	-
Trade and other payables	30	9,516,785	7,753,209
Deferred revenue	31	10,383,976	12,419,623
Taxation payable		556,253	393,488
		24,477,125	20,865,884
Total liabilities		35,415,843	32,312,209
Total equity and liabilities		49,018,381	40,862,081
Net current assets		19,253,948	15,839,203
Total assets less current liabilities		24,541,256	19,996,197

The consolidated financial statements on pages 8 to 93 were approved and authorised for issue by the Board of directors on 27 March 2018 and are signed on its behalf by:

He Jianbo
DIRECTOR

He Xiaoli
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company			Perpetual capital instruments	Non-controlling interests	Total equity
	Share capital HK$'000	Reserves HK$'000 (Note 26)	Total HK$'000	HK$'000 (Note 27)	HK$'000	HK$'000
As at 1 January 2016	334,428	7,022,793	7,357,221	-	4,289,672	11,646,893
Profit for the year	-	512,058	512,058	-	485,121	997,179
Other comprehensive expense for the year	-	(875,203)	(875,203)	-	(258,845)	(1,134,048)
Total comprehensive (expense)/income for the year, net of tax	-	(363,145)	(363,145)	-	226,276	(136,869)
Issue of shares	16	56	72	-	-	72
Acquisition of the equity interests of subsidiaries from non-controlling shareholders	-	(343,088)	(343,088)	-	(2,275,483)	(2,618,571)
Reversal of employee share option benefits	-	(2,050)	(2,050)	-	-	(2,050)
Dividends paid to shareholders of the Company	-	(66,886)	(66,886)	-	-	(66,886)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	(272,717)	(272,717)
	16	(411,968)	(411,952)	-	(2,548,200)	(2,960,152)
As at 31 December 2016	334,444	6,247,680	6,582,124	-	1,967,748	8,549,872
Profit for the year	-	712,914	712,914	1,303	734,584	1,448,801
Other comprehensive income for the year	-	1,191,151	1,191,151	-	163,724	1,354,875
Total comprehensive income for the year, net of tax	-	1,904,065	1,904,065	1,303	898,308	2,803,676
Issue of shares	59	206	265	-	-	265
Issue of perpetual capital instruments	-	-	-	2,392,600	-	2,392,600
Capital reduction paid to a non-controlling shareholder of a subsidiary	-	-	-	-	(10,098)	(10,098)
Dividends paid to shareholders of the Company	-	(133,777)	(133,777)	-	-	(133,777)
	59	(133,571)	(133,512)	2,392,600	(10,098)	2,248,990
As at 31 December 2017	334,503	8,018,174	8,352,677	2,393,903	2,855,958	13,602,538

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Operating activities			
Cash generated from/(used in) operations	33(a)	2,556,737	(584,430)
Income tax paid		(2,087,999)	(1,255,742)
Interest paid		(653,763)	(462,855)
Net cash used in operating activities		(185,025)	(2,303,027)
Investing activities			
Purchase of property, plant and equipment		(11,250)	(3,084)
Proceeds on disposal of property, plant and equipment		1,933	664
Advance to an associate		(6,612)	(88,062)
Loans to a non-controlling shareholder of a subsidiary		(1,110,731)	(1,412,307)
Interest received		147,039	241,362
Investments in joint ventures		(98,292)	-
Advances to joint ventures		(4,750,871)	-
Advance to a non-controlling shareholder of a subsidiary		(125,058)	-
Dividends from an associate		-	120,860
Net cash used in investing activities		(5,953,842)	(1,140,567)
Financing activities			
Proceeds from issue of shares		265	72
New borrowings		5,383,203	4,708,833
Repayment of borrowings		(2,329,768)	(5,672,898)
Issue of perpetual capital instruments		2,392,600	-
Advance from a fellow subsidiary		1,036,812	2,124,419
Dividends paid to the shareholders of the Company		(133,777)	(66,886)
Dividends paid to a non-controlling shareholder of a subsidiary		-	(272,717)
Acquisition of non-controlling interests of subsidiaries		-	(2,618,571)
Capital reduction paid to a non-controlling shareholder of a subsidiary		(10,098)	-
Net cash generated from/(used in) financing activities		6,339,237	(1,797,748)
Increase/(decrease) in cash and cash equivalents		200,370	(5,241,342)
Cash and cash equivalents at beginning of the year		5,431,519	10,672,861
Cash and cash equivalents at end of the year	24	5,631,889	5,431,519

1. GENERAL INFORMATION

Minmetals Land Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in real estate development, specialised construction, property investment and securities investment. The People's Republic of China is the major market for the Group's businesses.

The Company is a limited liability company incorporated in Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is June Glory International Limited (incorporated in the British Virgin Islands) and its ultimate holding company is China Minmetals Corporation (incorporated in Mainland China).

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HK dollar(s)"), unless otherwise stated, which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 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 years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure 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 financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows 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 losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 33. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the Note 33, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
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[3]
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 a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.
[5] Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9, which the Group has early adopted on 1 January 2011.

Except for the new HKFRSs mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and revised HKFRSs in issue but not yet effective - continued

HKFRS 9 Financial Instruments

Key requirements of HKFRS 9 that are applicable to the Group are:

- 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.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred for the Group's financial assets measured at amortised costs. Based on the assessment by the Directors, 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 not be materially increased as compared to the accumulated amount recognised under HKAS 39.

The Directors anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and revised HKFRSs in issue but not yet effective - continued

HKFRS 15 Revenue from Contracts with Customers - continued

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 or 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 considerations, as well as licensing application guidance.

Based on the existing contracts and arrangements, the Directors have assessed the impact on application of HKFRS 15 and did not anticipate a material impact on the timing and amounts of revenue recognised in the respective reporting periods of the Group. However, application of HKFRS 15 may have impact on the following areas:

Currently, the Group expensed off the costs associated with obtaining the sales of properties 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. The Director expects the recognition of deferred contract costs would not materially increase opening retained profit and deferred tax liabilities at 1 January 2018.

In respect of sales of properties, when payments are made before the properties are delivered to the customer, the customer may provide the Group with a benefit of financing. The Group will not adjust the amount of promised consideration if the difference between that amount and the cash selling price is not material at a contract level or if the Group expects at contract inception, that the period between the Group transfers the property and when the customer pays for that property will be one year or less. Otherwise, the Group will adjust the amount of promised consideration and recognise revenue at the cash selling price in accordance with the requirement of HKFRS 15.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and revised HKFRSs in issue but not yet effective - continued

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.

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 has non-cancellable operating lease commitments of HK$27,045,000 as disclosed in Note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, 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 leases. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

The Directors do not expect a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the fair value of investment properties and certain financial instruments, which are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The preparation of financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the equity holders in their capacity as equity holders. The difference between fair value of any consideration paid or received and the relevant share of the carrying value of net assets of the subsidiary adjusted is recorded in equity and attributed to equity holders of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Disposal of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on the initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Associates and joint ventures - continued

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investments in associates or joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value on the date it lost significant influence over the investee and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of such interest (or partial interest) in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to the associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

Transactions and balances
Foreign currency transactions are translated into the functional currency of respective entities of the Group using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation - continued

Transactions and balances - continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of profit or loss are translated at average exchange rates (unless exchange rates fluctuate significantly during the period, in which case income and expenses are translated at the dates of the transactions); and

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity, attributable to non-controlling interests as appropriate. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or joint ventures that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

Sales of completed properties

Revenue from sale of completed properties is recognised when the properties are delivered and titles are transferred, at which time all the following conditions are satisfied:

- The Group has transferred to the purchasers the significant risks and rewards of ownership of the goods.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received on properties sold prior to meeting the above criteria for revenue recognition are recognised as deferred revenue under current liabilities.

Contract revenue

The accounting policy for contract revenue recognition is set out under construction contracts.

Management fee income

Management fee income is recognised when services are provided.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Operating leases - continued

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire considerations (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire lease is generally classified as if the leasehold land is under finance lease.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises the related costs as expenses for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are expensed in the profit or loss during the period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate cost to the residual values over the estimated useful lives with annual rates as follows:

Leasehold land and buildings	2%-5%
Leasehold improvements	Over the remaining period of the lease
Machinery	5%-25%
Furniture, fixtures and equipment	15%-25%
Motor vehicles	20%-30%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gain and loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

Investment properties

Investment properties, comprise land held under operating leases and buildings, are held to earn rentals or for capital appreciation or both, and are not occupied by the companies comprising the Group.

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains and losses arising from fair value changes on investment properties are included in profit or loss in the period in which they arise.

Property that is being constructed or developed for future use as investment property is carried at fair value. Where fair value is not reliably measurable, such investment property under construction is measured at cost until the fair value becomes reliably measurable or construction is completed (whichever is earlier). Investment properties that are being redeveloped for continuing use as investment properties continue to be measured at fair value.

Investment properties - continued

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the profit or loss during the period in which they are incurred.

If an investment property becomes owner-occupied as evidenced by commencement of owner-occupation, it is reclassified as property, plant and equipment, and its fair value at the date of transfer becomes its deemed cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has been changed as evidenced by end of owner-occupation, any differences between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment in accordance with HKAS 16 Property, Plant and Equipment. However, to the extent that a fair value gain reverses a previous impairment loss for that property, the gain is recognised in the profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Goodwill

Goodwill arises from the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets and liabilities assumed. Goodwill is carried at cost less accumulated impairment, if any.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised immediately as an expense and is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. Regular purchases or sales of financial assets are recognised and derecognised on the trade date basis, the date on which the Group commits to purchase or sell the asset.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost.

Debt investments

Financial assets at amortised cost

A debt investment is classified as financial assets at amortised cost only if both of the following criteria are met: the objective of the Group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately. The Group's financial assets at amortised cost comprise trade and other receivables and cash and bank deposits in the consolidated statement of financial position.

A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the financial asset is derecognised or impaired.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Group can make an irrevocable election (on an instrument-by-instrument basis) at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. The Group's equity investments comprise financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

Equity investments - continued

The Group subsequently measures all equity investments at fair value. Where the Group's management has irrevocably elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investments.

Impairment of financial assets

For financial assets at amortised cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit of loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities and equity instruments - continued

Equity instruments - continued

For perpetual capital instruments, there is no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Financial liabilities

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortised cost using effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

The Group enters into a derivative financial instrument to manage its exposure to interest rate risk. Further details of derivative financial instrument are disclosed in Note 22.

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Hedge accounting - continued

Cash flow hedges - continued

Amounts previously recognised in other comprehensive income and accumulated in cash flow hedging reserve are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories represent properties under development and completed properties held for sale.

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Construction contracts

When the outcome of a construction contract can be estimated reliably, the Group uses the "percentage of completion method" to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to cost incurred to date as a percentage of total contract cost. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Construction contracts - continued

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period when incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables.

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's consolidated financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Current and deferred tax - continued

Deferred tax - continued

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting periods, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

Employee benefits - continued

Pension obligations

Group companies participate in various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when employees have rendered service entitling them to the contributions and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the profit or loss. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted at the grant date. The total amount expensed is recognised on a straight-line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier when the Group can no longer withdraw the offer of those benefits and when it recognises any related restructuring costs. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Group's financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATION UNCERTAINTY

Critical accounting judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

<u>Deferred taxation on investment properties</u>

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties located in Hong Kong, the Directors have determined that the presumption that the carrying amounts of investment properties located in Hong Kong are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

With regards to the Group's investment properties located in Mainland China, the Directors considered that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, the Directors have determined that the presumption that the carrying amounts of investment properties located in Mainland China are recovered entirely through sale is rebutted. As a result, the Group recognised deferred taxes on changes in fair value of the Group's investment properties located in Mainland China on the basis that the entire carrying amounts of these properties are recovered through use.

Key estimation uncertainty

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing uncertainty to the carrying amounts of assets and liabilities are discussed below:

<u>Investment properties</u>

Independent external valuer was engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2017. The fair value of each investment property is individually determined at the end of the reporting period based on market value assessment, on an existing use basis. The valuer has relied on the income capitalisation approach as its primary method, supported by the direct comparison method. These methodologies are based on an estimation of future results, a set of assumptions and a determination of relevant key inputs specific to each property to reflect its tenancy and cashflow profile. Changes to these estimation, assumptions and key inputs would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATION UNCERTAINTY - continued

Key estimation uncertainty - continued

Investment properties - continued

The carrying amount of investment properties as at 31 December 2017 was approximately HK$1,814,294,000 (31 December 2016: HK$1,662,326,000). More details are set out in Note 14.

Construction contracts

The Group recognised profits and losses from construction contracts, which were derived from the latest available budgets of the construction contracts with reference to the overall performance of each construction contract and the management's best estimates and judgements. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

When the actual costs incurred are significantly more or less than expected, or changes in circumstances which result in revision of management's estimates on the percentage of completion, the effect of such change is recognised prospectively in the profit or loss in the period of the change.

Deferred taxes

As at 31 December 2017, deferred tax assets of HK$1,096,579,000 (2016: HK$560,757,000) have been recognised in the Group's consolidated statement of financial position as set out in Note 29. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

Impairment of trade and other receivables

In determining whether there is objective evidence on impairment loss of trade and other receivables, the management considers the estimation of future cash flows to be recovered from these receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. The amount of the impairment of receivables is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. When the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amount of trade and other receivables was HK$9,664,457,000 (31 December 2016: HK$3,279,844,000). Further details are set out in Note 20.

5. REVENUE AND SEGMENT INFORMATION

Revenue (represents turnover) comprised the following:

	2017 HK$'000	2016 HK$'000
Sales of properties	10,907,177	10,557,010
Revenue from specialised construction contracts	964,271	954,791
Rental and management fee income from investment properties	64,057	64,544
	11,935,505	11,576,345

Operating segments

The chief operating decision maker has been identified as the executive directors. The executive directors review the Group's internal financial reports in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports as follows:

Real estate development:	Development and sales of residential and commercial properties
Specialised construction:	Design, installation and selling of curtain walls and aluminum windows, doors and other materials
Property investment:	Holding of properties to generate rental income and/or to gain from the appreciation in properties' values in the long-term
Securities investment:	Investment of securities

No operating segments identified by the executive directors have been aggregated in arriving at the reportable segments of the Group.

5. REVENUE AND SEGMENT INFORMATION - continued

Operating segments - continued

Segment revenue and results

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue										
Total segment revenue	10,907,177	10,557,010	970,123	1,009,145	69,093	67,080	-	-	11,946,393	11,633,235
Inter-segment revenue	-	-	(5,852)	(54,354)	(5,036)	(2,536)	-	-	(10,888)	(56,890)
Sales to external customers	10,907,177	10,557,010	964,271	954,791	64,057	64,544	-	-	11,935,505	11,576,345
Results										
Segment results	3,665,578	1,746,040	(123,705)	48,219	224,429	180,532	39,490	18,410	3,805,792	1,993,201
Unallocated corporate expenses, net									(275,264)	(169,267)
									3,530,528	1,823,934
Finance income									147,039	241,362
Finance costs									(114,674)	(55,669)
Share of results of associates									(2,495)	(12,135)
Share of results of joint ventures									(2,610)	-
Profit before tax									3,557,788	1,997,492

The accounting policies of the reportable and operating segments are the same as the Group's accounting polices described in Note 3. Segment results represent the profit before tax without allocation of unallocated corporate expenses, finance income, finance costs and share of results of associates and joint ventures.

Inter-segment revenue is charged at prevailing market rates.

Finance income, finance costs and share of results of associates and joint ventures are not included in the measure of segment results.

5. REVENUE AND SEGMENT INFORMATION - continued

Operating segments - continued

Segment assets and liabilities

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets										
Segment assets	41,568,430	33,520,084	929,363	1,123,835	1,912,047	1,768,600	811,636	481,682	45,221,476	36,894,201
Unallocated corporate assets									3,796,905	3,967,880
Total assets									49,018,381	40,862,081
Liabilities										
Segment liabilities	32,212,713	30,562,088	572,653	617,534	21,710	20,340	-	-	32,807,076	31,199,962
Unallocated corporate liabilities									2,608,767	1,112,247
Total liabilities									35,415,843	32,312,209

Segment assets consist primarily of interests in associates, interests in joint ventures, property, plant and equipment, investment properties, goodwill, inventories, receivables and operating cash but exclude items such as bank deposits for corporate use and deferred tax assets. Segment liabilities comprise all operating liabilities but exclude item such as taxation.

5. REVENUE AND SEGMENT INFORMATION - continued

Operating segments - continued

Other segment information

	Real estate development		Specialised construction		Property investment		Securities investment		Segment total		Unallocated		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:														
Interests in associates	1,218,443	1,141,052	-	-	-	-	-	-	1,218,443	1,141,052	-	-	1,218,443	1,141,052
Interests in joint ventures	99,065	-	-	-	-	-	-	-	99,065	-	-	-	99,065	-
Capital expenditures	8,893	1,333	2,046	1,295	81	369	-	-	11,020	2,997	230	87	11,250	3,084
Depreciation recognised in the consolidated statement of profit or loss	3,840	3,958	1,770	2,036	460	430	-	-	6,070	6,424	1,133	898	7,203	7,322
Fair value changes on investment properties	-	-	-	-	151,334	123,977	-	-	151,334	123,977	-	-	151,334	123,977
Provision for/(reversal of) impairment of inventories	83,713	(2,921)	-	-	-	-	-	-	83,713	(2,921)	-	-	83,713	(2,921)
Provision for/(reversal of) impairment of trade and other receivables	1,212	1,839	29,017	(23)	-	-	-	-	30,229	1,816	-	-	30,229	1,816
Provision for impairment of goodwill	-	-	9,425	-	-	-	-	-	9,425	-	-	-	9,425	-

Geographical information

The Group operates its businesses in two main geographical areas:

Hong Kong: Real estate development, specialised construction, property investment and securities investment

Mainland China and Macau: Real estate development and specialised construction

5. REVENUE AND SEGMENT INFORMATION - continued

Operating segments - continued

Geographical information - continued

In presenting geographical information, sales are presented based on the geographical locations of the customers. Total non-current assets excluded financial instruments and deferred tax assets.

	Hong Kong		Mainland China and Macau		Total	
	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	554,494	443,271	11,381,011	11,133,074	11,935,505	11,576,345
Total non-current assets	1,952,837	1,802,434	1,368,990	1,196,484	3,321,827	2,998,918

Information about major customer

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for both years.

6. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	HK$'000
Advertising and other promotional costs	185,569	218,096
Cost of properties sold (note (i))	6,840,034	8,465,395
Cost of specialised construction	988,646	838,262
Depreciation	7,203	7,322
Auditor's remuneration	4,500	4,330
Direct operating expenses incurred for investment properties that generated rental income	13,255	12,376
Employee benefit expense (including directors' emoluments) (Note 8)	224,108	151,745
Legal and professional fees	15,127	16,313
Operating lease charges - minimum lease payments in respect of land and buildings	13,193	26,106
Provision for impairment of trade and other receivables	30,229	1,816
Provision for impairment of goodwill	9,425	-
Provision for /(reversal of) impairment of inventories	83,713	(2,921)
Net exchange (gain)/loss	(14,064)	3,427

Note:

(i) Included in cost of properties sold are interest expenses of HK$545,923,000 (2016: HK$729,546,000).

7. OTHER INCOME, OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Government subsidies	4,363	5,440
Dividend income	39,562	18,438
Management fee income from an intermediate holding company and ultimate holding company	32,666	27,579
Fair value changes of other financial liabilities (Note 22)	(41,960)	-
Others	26,675	30,187
	61,306	81,644

8. EMPLOYEE BENEFIT EXPENSE

	2017 HK$'000	2016 HK$'000
Wages, salaries and bonus	321,934	234,607
Pension costs - defined contribution plans (Note 32)	34,828	22,161
Reversal of share option benefits cost	-	(2,050)
	356,762	254,718
Less: amount capitalised as properties under development	(71,746)	(43,643)
Less: amount included in cost of sales	(46,832)	(40,337)
Less: amount included in advertising and other promotional costs	(14,076)	(18,993)
	224,108	151,745

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2017 is set out below:

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Share option benefits HK$'000	Total HK$'000
Non-executive directors						
Mr. Li Fuli (note (i))	-	-	-	-	-	-
Mr. Zhang Yuanrong (note (ii))	-	-	-	-	-	-
Mr. Cui Hushan (note (iii))	-	-	-	-	-	-
Executive directors						
Mr. He Jianbo*	-	3,632	1,200	128	-	4,960
Mr. Yin Liang (note (iv))	-	1,439	-	45	-	1,484
Ms. He Xiaoli	-	2,892	900	101	-	3,893
Mr. Liu Zeping (note (v))	-	1,109	500	60	-	1,669
Mr. Yang Shangping (note (vi))	-	953	900	34	-	1,887
Independent non-executive directors						
Mr. Selwyn Mar	360	-	-	-	-	360
Ms. Tam Wai Chu, Maria	360	-	-	-	-	360
Mr. Lam Chung Lun, Billy	350	-	-	-	-	350
	1,070	10,025	3,500	368	-	14,963

8. EMPLOYEE BENEFIT EXPENSE - continued

(a) Directors' emoluments - continued

The remuneration of each director for the year ended 31 December 2016 is set out below:

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Share option benefits HK$'000	Total HK$'000
Non-executive directors						
Mr. Zhang Yuanrong	-	-	-	-	-	-
Mr. Cui Hushan	-	-	-	-	-	-
Executive directors						
Mr. He Jianbo*	-	3,492	1,000	123	66	4,681
Mr. Yin Liang	-	2,882	850	105	50	3,887
Ms. He Xiaoli	-	2,557	800	90	48	3,495
Mr. Liu Zeping	-	-	-	-	33	33
Independent non-executive directors						
Mr. Selwyn Mar	360	-	-	-	-	360
Ms. Tam Wai Chu, Maria	360	-	-	-	-	360
Mr. Lam Chung Lun, Billy	350	-	-	-	-	350
	1,070	8,931	2,650	318	197	13,166

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Discretionary bonuses were determined by the management with regard to the performance of the directors of the Company and the Group’s operating results.

During the year, no directors of the Company waived or agreed to waive any emoluments (2016: Nil).

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2016: Nil).

The executive director marked "*" above is also considered as chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

8. EMPLOYEE BENEFIT EXPENSE - continued

(a) Directors' emoluments - continued

Notes:
(i) Appointed on 18 May 2017
(ii) Resigned on 18 May 2017
(iii) Appointed on 25 August 2016
(iv) Resigned on 22 June 2017
(v) Re-designated from a non-executive director to an executive director on 18 March 2016
(vi) Appointed on 22 June 2017

(b) Five highest-paid individuals

In 2017, five highest-paid individuals in the Group include three (2016: three) directors. These directors' emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2016: two) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and allowances	2,599	3,268
Discretionary bonuses	2,776	2,402
Employer's contributions to pension schemes	89	89
Share option benefits	-	111
	5,464	5,870

The emoluments fell within the following bands:

	2017	2016
HK$2,500,001 - HK$3,000,000	2	2
HK$3,000,001 - HK$3,500,000	-	-
HK$3,500,001 - HK$4,000,000	-	-
	2	2

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2016: Nil).

9. FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Finance income		
Interest income from bank deposits	33,265	176,502
Interest income from loans to a non-controlling shareholder of a subsidiary	109,128	64,860
Interest income from loans to shareholders of joint ventures	4,646	-
	147,039	241,362
Finance costs		
Bank borrowings wholly repayable within five years	341,592	288,196
Other borrowings wholly repayable within five years	248,814	111,550
Other borrowings not wholly repayable within five years	63,357	63,109
	653,763	462,855
Less: Amount capitalised as properties under development (note (i))	(539,089)	(407,186)
	114,674	55,669

Note:

(i) Borrowing costs were capitalised at rates ranging from 1.87% to 6.50% (2016: 2.85% to 6.50%) per annum.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been calculated on the estimated assessable profit for the year derived in the Hong Kong at the rate of 16.5% (2016: no Hong Kong profits tax expense recognised). The PRC enterprise income tax has been calculated on the estimated assessable profit for the year derived in Mainland China at the rate of 25% (2016: 25%).

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2017 HK$'000	2016 HK$'000
Current tax		
PRC enterprise income tax	1,245,063	841,600
Hong Kong profits tax	1,852	-
Land appreciation tax	1,305,285	308,947
	2,552,200	1,150,547
Deferred tax (Note 29)	(443,213)	(150,234)
	2,108,987	1,000,313

10. INCOME TAX EXPENSE - continued

Tax charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	3,557,788	1,997,492
Tax calculated at domestic tax rates applicable to profits in the respective countries	909,143	449,632
Land appreciation tax	1,305,285	308,947
Deferred tax on undistributed profits	38,239	175,362
Tax effect of land appreciation tax	(326,321)	(69,543)
Tax effect of share of results of associates	624	3,033
Tax effect of share of results of joint ventures	653	-
Income not subject to tax	(36,105)	(29,598)
Expenses not deductible for tax purposes	162,611	174,168
Utilisation of previously unrecognised tax losses	(57,370)	(43,634)
Unrecognised tax losses	112,228	31,946
Tax charge	2,108,987	1,000,313

The weighted average applicable tax rate was 25.6% (2016: 22.5%). The year-on-year change is primarily caused by a change in the relative profitability of the Group's subsidiaries in the respective regions.

11. EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of share options granted under the Company's share option schemes.

	2017	2016
Weighted average number of ordinary shares in issue (thousands shares)	3,344,548	3,344,301
Adjustment for share options (thousands shares)	2,298	2,146
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	3,346,846	3,346,447
Profit attributable to equity holders of the Company (HK$'000)	712,914	512,058
Basic earnings per share (HK cents)	21.32	15.31
Diluted earnings per share (HK cents)	21.30	15.30

12. DIVIDENDS

The Directors recommend the payment of a final dividend of HK6.0 cents (2016: HK4.0 cents) per ordinary share with total amount of HK$200,715,000 (2016: HK$133,777,000). Such dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 31 May 2018. These consolidated financial statements do not reflect this dividend payable.

Final dividends in respect of the year ended 31 December 2016 of HK4.0 cents per ordinary share totaling HK$133,777,000 (2016: final dividends in respect of the year ended 31 December 2015 of HK2.0 cents per ordinary share totaling HK$66,886,000) was recognised as distribution during the year.

13. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2017						
Opening net book amount	171,532	2,186	4,321	5,349	3,273	186,661
Exchange differences	-	107	264	478	401	1,250
Additions	-	1,195	2,576	4,749	2,730	11,250
Disposals	-	(229)	(1,260)	(257)	(187)	(1,933)
Depreciation	(1,593)	(806)	(821)	(2,489)	(1,494)	(7,203)
Closing net book amount	169,939	2,453	5,080	7,830	4,723	190,025
At 31 December 2017						
Cost	178,702	8,595	9,764	30,152	18,265	245,478
Accumulated depreciation and impairment	(8,763)	(6,142)	(4,684)	(22,322)	(13,542)	(55,453)
Net book amount	169,939	2,453	5,080	7,830	4,723	190,025
Year ended 31 December 2016						
Opening net book amount	109,376	1,794	5,255	7,424	5,504	129,353
Exchange differences	(2)	(100)	(253)	(480)	(260)	(1,095)
Additions	-	672	33	2,326	53	3,084
Transfer from investment properties	66,070	-	-	-	-	66,070
Transfer to investment properties (note (i))	(2,765)	-	-	-	-	(2,765)
Disposals	-	-	(340)	(177)	(147)	(664)
Depreciation	(1,147)	(180)	(374)	(3,744)	(1,877)	(7,322)
Closing net book amount	171,532	2,186	4,321	5,349	3,273	186,661
At 31 December 2016						
Cost	178,699	9,744	8,232	24,976	17,302	238,953
Accumulated depreciation and impairment	(7,167)	(7,558)	(3,911)	(19,627)	(14,029)	(52,292)
Net book amount	171,532	2,186	4,321	5,349	3,273	186,661

13. PROPERTY, PLANT AND EQUIPMENT - continued

Notes:

(i) The amount transferred from property, plant and equipment upon the end of owner occupation included the carrying value of the property, plant and equipment amounted to HK$2,765,000 with fair value change recognised in other comprehensive income of approximately HK$3,045,000 during the year ended 31 December 2016.

(ii) At the end of both reporting periods, the Group's buildings are erected on land under medium-terms and long-terms lease in Hong Kong and long-terms lease in Mainland China respectively.

(iii) As at 31 December 2017, the Group did not pledge any leasehold land and buildings as collaterals for bank borrowings (2016: Nil).

14. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At Fair Value		
At beginning of the year	1,662,326	1,599,234
Transfer from owner-occupied land and buildings	-	5,810
Transfer to owner-occupied land and buildings	-	(66,070)
Fair value changes on investment properties recognised in profit or loss	151,334	123,977
Exchange differences	634	(625)
At end of the year	1,814,294	1,662,326

As at 31 December 2017, the Group did not pledge any investment properties as collaterals for bank borrowings (2016: Nil).

The investment properties were fair-valued at 31 December 2017 by Vigers Appraisal & Consulting Limited, independent valuers. The valuation for completed investment properties was arrived at by considering the income capitalisation of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions as direct comparison.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES - continued

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31.12.2017 HK$'000
In Hong Kong	-	39,920	1,764,900	1,804,820
In Mainland China	-	9,474	-	9,474

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31.12.2016 HK$'000
In Hong Kong	-	36,070	1,617,000	1,653,070
In Mainland China	-	-	9,256	9,256

The investment property in Mainland China was transferred out of Level 3 at 31 December 2017, as the investment property in Mainland China is temporarily vacant and the valuation technique of which has been changed to direct comparison method from income method.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 2 to 3) based on the degree to which the key inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs for fair value
Property 1 in Hong Kong	Level 3	Direct comparison method and income method The key inputs are: 1. Reversionary yield; and 2. Market unit rent of individual unit	Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 5%(2016:5%)	The higher the reversionary yield, the lower the fair value
			Market unit rent, using direct market comparables and taking into account of similar character, location and sizes, from HK$46/sq.ft/ month to HK$100/sq.ft./ month (2016: from HK$41/sq.ft/month to HK$94/sq.ft/month)	The higher the market unit rent, the higher the fair value

14. INVESTMENT PROPERTIES - continued

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs for fair value
Property 2 in Hong Kong	Level 3	Direct comparison method and income method The key inputs are: 1. Reversionary yield; and 2. Market unit rent of individual unit	Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 5%(2016:5%)	The higher the reversionary yield, the lower the fair value
			Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.from HK$21/sq.ft./ month to HK$42/sq.ft./ month (2016: from HK$20/sq.ft/month to HK$40/sq.ft/month)	The higher the market unit rent, the higher the fair value
Other properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A
Property 3 in Mainland China	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property	N/A	N/A

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and key inputs to the model.

15. GOODWILL

Goodwill arising from an acquisition of a subsidiary is as follows:

	2017 HK$'000	2016 HK$'000
At beginning of the year	8,879	9,483
Exchange differences	546	(604)
Impairment loss recognised in the year	(9,425)	-
At end of the year	-	8,879

Impairment test for goodwill

Goodwill is allocated to the cash generating unit ("CGU") identified as follows:

	2017 HK$'000	2016 HK$'000
CGU:		
Specialised construction	-	8,879

During the year ended 31 December 2017, the Group recognised an impairment loss of HK$9,425,000 (2016: Nil).

The recoverable amount of the CGU is determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a one-year period and extrapolated for the remaining operating period based on the following information with reference to past performance and expectation for market development.

	2017 %	2016 %
Estimated growth rate	-	5.00
Discount rate before tax	4.35	4.35

The estimated growth rates disclosed above applied to the five-year cash flow projections and no growth was assumed when extrapolating to later periods. The estimated growth rate of zero used represents the past performance of the CGU.

16. INTERESTS IN ASSOCIATES

(a) Investments

	2017 HK$'000	2016 HK$'000
At beginning of the year	1,141,052	1,352,198
Exchange differences	79,886	(78,151)
Dividends received	-	(120,860)
Share of results of associates	(2,495)	(12,135)
At end of the year	1,218,443	1,141,052

Details of the Group's associates at 31 December 2017 and 2016 are as follow:

Name of entity	Principle activities	Place of incorporation and operation	Proportion of equity interest held by the Group	Proportion of voting rights held by the Group
廊坊萬恒盛業房地產開發有限公司 (Langfang Wanheng Shengye Property Development Co., Ltd) ("Langfang Wanheng") (note (i))	Real estate development	Mainland China	50%	40%
北京五礦萬科置業有限公司 (Beijing Minmetals Vanke Real Estate Co., Ltd) ("Beijing Minmetals Vanke") (note (i))	Real estate development	Mainland China	51%	40%

Note:

(i) The companies are sino-foreign equity joint ventures established in Mainland China with operating periods of 30 years. The Group accounts for its investments in these companies as associates as it only exercises significant influence over the investees by minority representation in the board of directors. Pursuant to shareholders' agreements, the Company has the right to cast 40% of the votes at shareholders' meetings of Langfang Wanheng, and 40% of the votes at shareholders' meetings of Beijing Minmetals Vanke.

16. INTERESTS IN ASSOCIATES - continued

(b) Summarised financial information of associates

Summarised financial information in respect of each associate of the Group is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Langfang Wanheng

	2017 HK$'000	2016 HK$'000
Current assets	484,129	376,593
Non-current assets	178	3
Current liabilities	110,834	23,381

	2017 HK$'000	2016 HK$'000
(Loss)/profit for the year	(4,341)	50
Other comprehensive income/(expense) for the year	24,599	(23,904)
Total comprehensive income/(expense) for the year	20,258	(23,854)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Langfang Wanheng recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of the associate	373,473	353,215
Proportion of the Group's interest in Langfang Wanheng	50%	50%
	HK$'000	HK$'000
Carrying amount of the Group's interest in Langfang Wanheng	186,736	176,608

16. INTERESTS IN ASSOCIATES - continued

(b) Summarised financial information of associates - continued

Beijing Minmetals Vanke

	2017 HK$'000	2016 HK$'000
Current assets	2,102,173	2,077,228
Non-current assets	1,119	886
Current liabilities	80,338	187,047

	2017 HK$'000	2016 HK$'000
Revenue	13,143	92,979
Loss for the year	(635)	(23,843)
Other comprehensive income/(expense) for the year	132,522	(129,802)
Total comprehensive income/(expense) for the year	131,887	(153,645)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Beijing Minmetals Vanke recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of the associate	2,022,954	1,891,067
Proportion of the Group's interest in Beijing Minmetals Vanke	51%	51%
	HK$'000	HK$'000
Carrying amount of the Group's interest in Beijing Minmetals Vanke	1,031,707	964,444

17. INTERESTS IN JOINT VENTURES

(a) Investments

	2017 HK$'000
At beginning of the year	-
Investment in joint ventures	98,292
Exchange differences	3,156
Gain on deemed disposal	227
Share of results of joint ventures	(2,610)
At end of the year	99,065

Details of the Group's joint ventures at 31 December 2017 are as follow:

Name of entity	Principle activities	Place of incorporation and operation	Proportion of equity interest held by the Group	Proportion of voting rights held by the Group
葛礦利南京房地產開發有限公司 (Gekuangli Nanjing Property Developement Co. Ltd.) ("Gekuangli") (note (i))	Real estate development	Mainland China	33.9%	33.9%
南京礦利金房地產開發有限公司 (Nanjing Kuanglijin Property Developement Co. Ltd.) ("Kuanglijin") (note (i))	Real estate development	Mainland China	39.8%	39.8%

Note:

(i) The companies are joint ventures established by the Group and other investors in Mainland China during the year with operating periods of 30 years. The Group accounts for its investments in these companies as joint ventures as it exercises joint control over the investees through its voting rights, as unanimous consent is required for the relevant activities. Pursuant to shareholders' agreements, the Company has the right to cast 33.9% of the votes at shareholders' meetings of Gekuangli, and 39.8% of the votes at shareholders' meetings of Kuanglijin.

17. INTERESTS IN JOINT VENTURES - continued

(b) Summarised financial information of joint ventures

Summarised financial information in respect of each joint venture of the Group is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

Gekuangli

	2017 HK$'000
Current assets	8,125,308
Current liabilities	8,009,632

	2017 HK$'000
Loss for the year	(3,815)
Other comprehensive income for the year	3,641
Total comprehensive expense for the year	(174)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Gekuangli recognised in the consolidated financial statements:

	2017 HK$'000
Net assets of the joint venture	115,676
Proportion of the Group's interest in Gekuangli	33.9%
	HK$'000
Carrying amount of the Group's interest in Gekuangli	39,214

17. INTERESTS IN JOINT VENTURES - continued

(b) Summarised financial information of joint ventures - continued

Kuanglijin

	2017 HK$'000
Current assets	5,267,403
Current liabilities	5,117,024

	2017 HK$'000
Loss for the year	(2,651)
Other comprehensive income for the year	4,742
Total comprehensive income for the year	2,091

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kuanglijin recognised in the consolidated financial statements:

	2017 HK$'000
Net assets of the joint venture	150,379
Proportion of the Group's interest in Kuanglijin	39.8%
	HK$'000
Carrying amount of the Group's interest in Kuanglijin	59,851

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Properties under development - located in Mainland China(a)	17,595,853	12,031,127
Properties under development - located in Hong Kong(a)	4,158,708	4,026,103
	21,754,561	16,057,230
Properties held for sale - located in Mainland China	3,598,682	2,861,910
	25,353,243	18,919,140

(a) Properties under development

	2017 HK$'000	2016 HK$'000
Land use rights	18,223,333	11,928,062
Construction costs	3,531,228	4,129,168
	21,754,561	16,057,230

As at 31 December 2017, properties under development with carrying amount of HK$6,165,669,000 have been pledged as collaterals for bank borrowings (2016: Nil) (Note 28 (a)).

As at 31 December 2017, properties under development with carrying amount of HK$15,557,530,000 (2016: HK$9,563,420,000) are expected to be completed and realised after twelve months from the end of the reporting period. Properties held for sale of approximately HK$403,700,000 (2016: HK$896,420,000) as at 31 December 2017 are expected to be sold after twelve months from the end of the reporting period.

19. CONSTRUCTION CONTRACTS IN PROGRESS

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus recognised profits less recognised losses	3,868,737	3,792,992
Less: progress billings	(3,749,717)	(3,445,455)
Gross amounts due from customers for contract work	119,020	347,537

20. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade and contract receivables, net (b)	603,515	499,839
Retention receivables (c)	181,040	107,483
Deposits	35,243	48,175
Prepayments (d)	840,991	1,219,047
Prepayments for land cost (e)	1,497,699	7,265,799
Loans to a non-controlling shareholder of a subsidiary (Note 37(b))	3,748,606	2,465,064
Amount due from a non-controlling shareholder of a subsidiary (Note 37(b))	125,058	-
Amount due from an associate (Note 37(b))	94,674	88,062
Amounts due from joint ventures (Note 37(b))	4,750,871	-
Amounts due from an intermediate holding company and ultimate holding company (Note 37(b))	35,889	27,579
Others	89,561	43,642
	12,003,147	11,764,690

(a) The carrying amounts of prepayments, trade and other receivables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	229,133	189,145
Renminbi ("RMB")	11,741,760	11,543,748
Macao pataca ("MOP")	32,254	31,797
	12,003,147	11,764,690

(b) The aging analysis of trade and contract receivables based on due date for rental receivables, date of properties delivered to purchasers and billing date of construction services certified is as follows:

	2017 HK$'000	2016 HK$'000
0 to 90 days	321,052	181,979
91 to 180 days	83,580	28,986
181 days to 1 year	50,740	88,641
1 year to 2 years	92,465	158,270
Over 2 years	113,389	71,148
	661,226	529,024
Less: allowance for impairment	(57,711)	(29,185)
	603,515	499,839

20. PREPAYMENTS, TRADE AND OTHER RECEIVABLES - continued

(b) - continued

In respect of trade and contract receivables, a credit period of three to twelve months may be granted to customers on a case-by-case basis.

Trade and contract receivables neither past due nor impaired are with customers having good repayment history and no default in the past.

Trade and contract receivables that are past due less than two years are generally not considered impaired. Trade and contract receivables of HK$301,529,000 (2016: HK$332,690,000) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The aging analysis of these trade and contract receivables is as follows:

	2017 HK$'000	2016 HK$'000
Past due days		
1 to 90 days	178,555	84,049
91 to 180 days	11,253	29,798
181 days to 1 year	24,904	73,215
1 year to 2 years	53,919	105,188
Over 2 years	32,898	40,440
	301,529	332,690

Trade and contract receivables of HK$57,711,000 (2016: HK$29,185,000) were impaired and provision for impairment was made. The individually impaired receivables relate to customers, which are in unexpected difficult financial situations. The aging of these receivables is as follows:

	2017 HK$'000	2016 HK$'000
Past due days		
Over 2 years	57,711	29,185

Movements in the allowance for impairment of trade and contract receivables are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of the year	29,185	28,587
Exchange differences	2,210	(1,398)
Allowance for impairment	26,316	1,996
At end of the year	57,711	29,185

20. PREPAYMENTS, TRADE AND OTHER RECEIVABLES - continued

(c) As at 31 December 2017, retention receivables with carrying amount of HK$125,783,000 (2016: HK$85,523,000) are expected to be recovered after twelve months from the end of the reporting period.

(d) As at 31 December 2017, prepayments include prepaid taxes and other charges of approximately HK$777,501,000 (2016: HK$1,130,838,000).

(e) As at 31 December 2017, prepayments for land cost represent payments to the PRC Bureau of Land and Resources for the acquisition of lands in Mainland China and the amount will be recognised as inventory upon issuance of Land Use Rights Certificates.

(f) The other items within trade and other receivables do not contain past due or impaired assets.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of receivables mentioned above. The Group does not hold any collateral as security.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017 HK$'000	2016 HK$'000
Listed equity securities in Hong Kong		
At beginning of the year	481,682	610,745
Fair value gain/(loss) recognised in other comprehensive income	311,135	(129,063)
At end of the year	792,817	481,682

The Group's equity securities investment is measured at fair value at the end of the reporting period:

Financial assets	Fair value as at 31 December 2017 HK$'000	Fair value as at 31 December 2016 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through other comprehensive income - Listed equity securities	792,817	481,682	Level 1	Quoted prices in an active market

The equity securities investment has been designated at fair value through other comprehensive income upon the Group's early application of the 2010 version of HKFRS 9 in 2011, which, in the opinion of the Directors, resulting more relevant information for the Group's financial instruments based on how the Group manages its equity instruments. The financial assets at fair value through other comprehensive income represent equity securities listed in Hong Kong of HK$792,817,000 as at 31 December 2017 (31 December 2016: HK481,682,000). Dividend income recognised during the year related to those investments held at the year end is HK$39,562,000 (2016: HK$18,438,000). There is no disposal or transfer of the cumulative gain or loss within equity during both years.

22. OTHER FINANCIAL ASSETS/LIABILITIES

	2017 HK$'000	2016 HK$'000
Other financial assets		
Derivatives under hedge accounting		
Cash flow hedges – Interest rate swap (a)	76,085	115,637
Other financial liabilities		
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts (b)	41,960	-

(a) Cash flow hedges:

At the end of the reporting period, the Group had the following interest rate swap contracts designated as highly effective hedging instruments in order to manage the Group's interest rate exposure in relation to the bank borrowings on a floating interest rate basis.

The terms of the interest rate swap contracts have been negotiated to match the terms of the respective designated hedged items. The major terms of these contracts are as follows:

31 December 2017

Notional amount	Maturity	Swaps
HK$3,600,000,000	Approximate 4 years	From floating rate to fixed interest rates

As at 31 December 2017, fair value loss of HK$39,552,000 (31 December 2016: fair value gain of HK$115,637,000) have been recognised in other comprehensive income and accumulated in equity.

(b) Other derivatives (not under hedge accounting):

During the year, the Group signed certain foreign exchange forward contracts with upper and lower strike prices in the aggregate notional amount of United States dollar ("US$")80,000,000 as an economic hedge of its exposure to exchange rate risks while converting RMB to US$.

23. CASH AND BANK DEPOSITS, RESTRICTED

	2017 HK$'000	2016 HK$'000
Restricted cash	623,774	242,201

The carrying amounts of restricted cash are denominated in RMB. As at 31 December 2017, the weighted average effective interest rate was 0.3% (2016: 0.3%) per annum.

23. CASH AND BANK DEPOSITS, RESTRICTED - continued

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and bank deposits.

The restricted cash represents (i) performance deposits for construction projects; and (ii) guarantee deposits for the benefit of mortgage loan facilities granted by banks to the purchasers of the Group's properties.

24. CASH AND BANK DEPOSITS, UNRESTRICTED

	2017 HK$'000	2016 HK$'000
Cash at banks	5,275,257	4,590,342
Short-term deposits	356,373	840,827
Cash on hand	259	350
Cash and bank deposits	5,631,889	5,431,519

Short-term deposits will be mature in approximately 6 days (2016: 16 days) from the end of the reporting period. As at 31 December 2017, the weighted average effective interest rate was 1.41% (2016: 1.07%) per annum.

The carrying amounts of cash and bank deposits are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	192,201	495,513
RMB	5,238,095	4,859,400
US$	140,681	35,344
MOP	60,912	41,262
	5,631,889	5,431,519

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and bank deposits.

25. SHARE CAPITAL

	2017		2016	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
Balance at beginning of the year	3,344,438	334,444	3,344,279	334,428
Exercise of share options	589	59	159	16
Balance at end of the year	3,345,027	334,503	3,344,438	334,444

Share options

On 29 May 2003, the Company adopted a share option scheme (the "2003 Share Option Scheme") under which the Directors, at their discretion, invited any person who has contributed or will contribute to the Group to subscribe for shares of the Company at nominal consideration of HK$10 for each lot of options granted. The exercise price was determined by the Directors, and would not be less than the highest of: (i) the closing price per share as stated in the daily quotations sheet of Main Board of the Stock Exchange on the date of grant of the relevant option; (ii) the average closing price per share as stated in the Main Board of the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the share of the Company. The 2003 Share Option Scheme had expired on 28 May 2013. On 7 June 2013, the Company adopted a new share option scheme (the "2013 Share Option Scheme") with the same terms under the 2003 Share Option Scheme. Notwithstanding the expiry of the 2003 Share Option Scheme, the share options which had been granted during the life of the 2003 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect. No share options have been granted by the Company pursuant to the 2013 Share Option Scheme.

(i) Details of the share options granted are as follows:

Category of participants	Date of grant/exercisable period of share options	Exercise price		Number of share options	
		2017 HK$	2016 HK$	2017 '000	2016 '000
Directors	1 December 2008/1 December 2010 to 30 November 2018 (note 1)	0.45	0.45	-	-
	30 November 2012/30 November 2014 to 29 November 2022 (note 2)	1.20	1.20	-	8,670
				-	8,670
Employees	1 December 2008/1 December 2010 to 30 November 2018 (note 1)	0.45	0.45	3,525	4,114
	30 November 2012/30 November 2014 to 29 November 2022 (note 2)	1.20	1.20	-	37,100
				3,525	41,214
				3,525	49,884

25. SHARE CAPITAL - continued

Share options - continued

(i) Details of the share options granted are as follows: - continued

Notes:

(1) The options are exercisable upon fulfillment of certain performance targets achieved by the Group and grantees. These options are exercisable in three tranches: the maximum percentage of options of each tranche exercisable within the exercisable periods commencing from 1 December 2010 to 30 November 2018, from 1 December 2011 to 30 November 2018 and from 1 December 2012 to 30 November 2018 are 30%, 30% and 40% respectively. The fair value of share options in the three tranches is HK$0.3355 per share. All share options are exercisable as at 31 December 2017 and 2016.

(2) The options are exercisable upon fulfillment of certain performance targets achieved by the Group and grantees. These options are exercisable in three tranches: the maximum percentage of options of each tranche exercisable within the exercisable periods commencing from 30 November 2014 to 29 November 2022, from 30 November 2015 to 29 November 2022 and 30 November 2016 to 29 November 2022 are 30%, 30% and 40% respectively. The fair values of share options in the three tranches are HK$0.6538, HK$0.6774 and HK$0.6912 per share respectively. During the year, the vesting conditions have been assessed and certain performance targets have not been achieved. All share options are lapsed and no share option is exercisable as at 31 December 2017 (31 December 2016: All share options are exercisable).

(ii) Movements in the above share options are as follows:

	2017 Number of share options '000	2016 Number of share options '000
At beginning of the year	49,884	51,256
Lapsed	(45,770)	(1,213)
Exercised	(589)	(159)
At end of the year	3,525	49,884

During the year ended 31 December 2017, 589,000 (2016: 159,000) share options were exercised and the weighted average share price was HK$1.24 (2016: HK$0.96). No share-based payment expense recognised for the year ended 31 December 2017 (2016: HK$2,050,000 share-based payment expense reversed).

26. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000 (note (a))	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Investments revaluation reserve HK$'000	Cash flow hedging reserve HK$'000	Revaluation reserve HK$'000	Other reserve HK$'000 (note (b))	Exchange reserve HK$'000	Retained earnings HK$'000 (note (c))	Total HK$'000
Balance as at 1 January 2016	4,269,948	515,336	769	37,534	53,008	-	1,314	31,640	(397,368)	2,510,612	7,022,793
Issue of shares	56	-	-	-	-	-	-	-	-	-	56
Reversal of employee share option benefits	-	-	-	(2,050)	-	-	-	-	-	-	(2,050)
Fair value loss of financial assets at fair value through other comprehensive income	-	-	-	-	(129,063)	-	-	-	-	-	(129,063)
Gain on revaluation of owner-occupied properties upon transfer to investment properties	-	-	-	-	-	-	3,045	-	-	-	3,045
Fair value gain on hedging instruments in cash flow hedges	-	-	-	-	-	115,637	-	-	-	-	115,637
Acquisition of non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(343,088)	-	-	(343,088)
Currency translation adjustments	-	-	-	-	-	-	-	-	(864,822)	-	(864,822)
2015 final dividend paid	-	-	-	-	-	-	-	-	-	(66,886)	(66,886)
Profit for the year	-	-	-	-	-	-	-	-	-	512,058	512,058
Balance as at 31 December 2016	4,270,004	515,336	769	35,484	(76,055)	115,637	4,359	(311,448)	(1,262,190)	2,955,784	6,247,680
Issue of shares	206	-	-	-	-	-	-	-	-	-	206
Reclassification of employee share option benefits	3,673	-	-	(34,301)	-	-	-	-	-	30,628	-
Fair value gain of financial assets at fair value through other comprehensive income	-	-	-	-	311,135	-	-	-	-	-	311,135
Fair value loss on hedging instruments in cash flow hedges	-	-	-	-	-	(39,552)	-	-	-	-	(39,552)
Currency translation adjustments	-	-	-	-	-	-	-	-	919,568	-	919,568
2016 final dividend paid	-	-	-	-	-	-	-	-	-	(133,777)	(133,777)
Profit for the year	-	-	-	-	-	-	-	-	-	712,914	712,914
Balance as at 31 December 2017	4,273,883	515,336	769	1,183	235,080	76,085	4,359	(311,448)	(342,622)	3,565,549	8,018,174

26. RESERVES - continued

Notes:

(a) Contributed surplus mainly represents the excess of the fair value of shares in Minmetals Land Investments Limited acquired by the Company over the nominal value of the new shares of the Company issued pursuant to the share exchange agreement.

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

(b) Other reserve represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries.

During 2016, the Group completed acquisitions of additional interests of two non-wholly owned subsidiaries of the Company, at cash considerations of RMB2,327,589,000 (equivalent to approximately HK$2,618,571,000). The carrying amounts of the non-controlling interests on the dates of acquisitions are approximately HK$2,275,483,000. As a result, the Group recognised a decrease in equity attributable to equity holders of approximately HK$343,088,000.

(c) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserves at the rate of 10%. The appropriation as at 31 December 2017, amounting to approximately HK$708,516,000 (2016: HK$450,045,000), was included in retained earnings at 31 December 2017.

27. PERPETUAL CAPITAL INSTRUMENTS

On 28 December 2017, a wholly-owned subsidiary of the Company (the “Borrower”), a fellow subsidiary and a bank (the “Bank”) have entered into an entrustment loan agreement (the “Perpetual Loan Agreement”), pursuant to which the fellow subsidiary shall entrust the Bank to lend RMB2,000 million (equivalent to HK$2,392,600,000) (the “Perpetual Loan”) to the Borrower. The Perpetual Loan bears interest at the benchmark interest rate for loans over five years as quoted by the People’s Bank of China per annum. Interest payments on the Perpetual Loan are paid annually in arrears from 28 December 2017 and can be deferred at the discretion of the Borrower. Neither the fellow subsidiary nor the Bank could request for repayment of the principal and accrued interest save and except for when the Borrower elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation. Under the Perpetual Loan Agreement, no guarantee of any kind is required to be given by any member of the Group to either the fellow subsidiary or the Bank for the Perpetual Loan. As the Group has the right to defer the repayment of the principal and accrued interest at its sole discretion, it has no direct or indirect contractual financial obligation to pay cash or other financial asset in respect of the Perpetual Loan, thus, the instrument is therefore classified as equity in the consolidated statement of financial position.

During the year, no interest related to the Perpetual Loan was paid to the fellow subsidiary.

28. BORROWINGS

	2017 HK$'000	2016 HK$'000
Non-current		
Bank borrowings, secured (a)	9,801,029	8,618,418
Guaranteed bonds, unsecured (b)	969,035	2,696,441
	10,770,064	11,314,859
Current		
Bank borrowings, secured (a)	2,224,416	75,975
Guaranteed bonds, unsecured (b)	1,753,735	-
Loan from a fellow subsidiary, unsecured (Note 37(b))	-	223,589
	3,978,151	299,564
	14,748,215	11,614,423

(a) Banking facilities

The Group's aggregate banking facilities, including bank borrowings, as at 31 December 2017 amounted to approximately HK$16,659,527,000 (2016: HK$12,240,570,000), of which approximately HK$4,544,540,000 (2016: HK$3,464,595,000) was unutilised. As at 31 December 2017, the collaterals for the banking facilities are as follows:

(i) Properties under development with carrying amounts of approximately HK$ 6,165,669,000 (2016: Nil);

(ii) 100% equity interests in subsidiaries; and

(iii) Corporate guarantees given by the Company.

(b) Guaranteed bonds

On 26 April 2013, the Group issued the Guaranteed Bonds ("Guaranteed Bonds") with a principal amount of US$225,000,000 and US$125,000,000 bearing interest at the coupon rate of 5.50% and 6.50%, per annum respectively, which will be matured on 26 April 2018 and 26 April 2023 respectively. The Guaranteed Bonds were guaranteed by the Company and have the benefit of a keep well deed from China Minmetals Corporation, the ultimate controlling shareholder of the Company. Upon the occurrence of a change of control triggering event, the bondholders will have the right, at the bondholders' option, to require the Group to redeem all, but not some only, of the outstanding Guaranteed Bonds at 101% of their principal amounts, together with accrued interest. If the Group would be obliged to pay additional tax amounts in respect of Guaranteed Bonds as a result of any change in, or amendment to, specified tax laws or regulations, all outstanding Guaranteed Bonds may be redeemed at the Group's option, in whole but not in part, at their principal amounts together with interest accrued up to but excluding the redemption date.

28. BORROWINGS - continued

(b) Guaranteed bonds - continued

The Group may at its option redeem the Guaranteed Bonds at any time, in whole but not in part, at a Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date.

"Make Whole Price" means with respect to the Guaranteed Bonds at any redemption date, the greater of (1) the present value of the principal amount of the Guaranteed Bonds, plus all required remaining scheduled interest payments due on such Guaranteed Bonds from the optional redemption date to the maturity date (but excluding accrued and unpaid interest to the option redemption date), computed using a discount rate, which the rate per annum equal to the semi-annual equivalent yield in maturity of the comparable treasury issue, plus 0.50 per cent., and (2) the principal amount of such Guaranteed Bonds.

Early redemption options are regarded as embedded derivatives not closely related to the host debt instrument. The Directors consider that the fair value of the above early redemption options is insignificant on initial recognition and as at 31 December 2017 and 2016.

The effective interest rates of the Guaranteed Bonds at the end of the reporting period were 5.89% and 6.73% for US$225,000,000 and US$125,000,000 respectively as at 31 December 2017 and 31 December 2016.

(c) The maturity of the Group's borrowings is as follows:

	2017 HK$'000	2016 HK$'000
Bank borrowings		
Within one year	2,224,416	75,975
In more than one year but no more than two years	35,889	4,166,395
In more than two years but not exceeding five years	9,765,140	4,452,023
	12,025,445	8,694,393
Guaranteed bonds		
Within one year	1,753,735	-
In more than one year but no more than two years	-	1,736,571
In the second to fifth year	-	-
In the sixth to tenth year	969,035	959,870
	2,722,770	2,696,441
Loan from a fellow subsidiary		
Within one year	-	223,589

28. BORROWINGS - continued

(d) Bank borrowings and loan from a fellow subsidiary of totaling HK$12,025,445,000 (2016: HK$8,917,982,000) are on floating interest rate basis. The effective interest rates at the end of the reporting period were as follows:

	2017		2016	
	HK$	RMB	HK$	RMB
Non-current				
Bank borrowings	3.17%	4.99%	3.22%	-
Current				
Bank borrowings	4.04%	5.10%	-	4.62%
Loan from a fellow subsidiary	-	-	-	4.79%

(e) The fair values of borrowings approximate their carrying amounts. The fair values are determined based on discounted cash flows.

(f) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
HK$	11,881,961	8,618,418
RMB	143,484	299,564
US$	2,722,770	2,696,441
	14,748,215	11,614,423

29. DEFERRED TAX

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	1,096,579	560,757
Deferred tax liabilities	(168,431)	(131,080)
	928,148	429,677

29. DEFERRED TAX - continued

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

Deferred tax assets

	2017 HK$'000	2016 HK$'000
Tax losses		
At beginning of the year	974	1,040
Exchange differences	68	(66)
Recognised in the profit or loss	1,556	-
At end of the year	2,598	974
Temporary difference on cost recognition		
At beginning of the year	559,783	394,314
Exchange differences	56,654	(33,491)
Recognised in the profit or loss	477,544	198,960
At end of the year	1,093,981	559,783

Deferred tax liabilities

	2017 HK$'000	2016 HK$'000
Fair value gain		
At beginning of the year	5,317	30,564
Exchange differences	1,464	(13,772)
Recognised in the profit or loss	(3,744)	(11,475)
At end of the year	3,037	5,317
Accelerated tax depreciation		
At beginning of the year	18,690	17,863
Recognised in the profit or loss	1,392	827
At end of the year	20,082	18,690
Undistributed retained earnings		
At beginning of the year	107,073	47,699
Recognised in the profit or loss	38,239	59,374
At end of the year	145,312	107,073

Deferred tax liabilities of HK$36,947,000 (2016: HK$10,314,000) have not been recognised in respect of temporary difference associated with undistributed retained earnings of certain subsidiaries, as the Directors currently intend not to distribute the retained earnings outside Mainland China in the foreseeable future.

29. DEFERRED TAX - continued

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. Due to the unpredictability of future profit streams, as at 31 December 2017, the Group had unrecognised tax losses in Hong Kong of approximately HK$811,873,000 (2016: HK$682,893,000), which can be carried forward against future taxable income and have no expiry date, and unrecognised tax losses in Mainland China of approximately HK$523,836,000 (2016: HK$389,530,000) which will expire at various dates up to and including 2022.

30. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade, bills and contract payables (b)	897,746	715,232
Retention payables	46,014	40,214
Accruals and other payables	4,210,333	3,617,548
Rental deposits received	16,630	16,758
Amounts due to non-controlling shareholders of subsidiaries (Note 37(b))	68,112	172,600
Amounts due to a fellow subsidiary (Note 37(b))	3,310,162	2,124,419
Amounts due to associates (Note 37(b))	967,788	1,066,438
	9,516,785	7,753,209

(a) The carrying amounts of trade and other payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	73,046	184,550
RMB	9,367,860	7,472,361
US$	29,278	29,278
MOP	46,601	67,020
	9,516,785	7,753,209

(b) The aging analysis of trade, bills and contract payables of the Group based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 to 90 days	149,314	357,298
91 to 180 days	7,220	49,361
181 days to 1 year	473,659	104,442
1 year to 2 years	182,947	50,817
Over 2 years	84,606	153,314
	897,746	715,232

31. DEFERRED REVENUE

	2017 HK$'000	2016 HK$'000
Receipt in advance from property sales	10,375,641	12,407,608
Government grants	8,335	12,015
	10,383,976	12,419,623

32. PENSION OBLIGATIONS

The Group participates in a defined contribution pension scheme and a Mandatory Provident Fund ("MPF") scheme for the eligible employees in Hong Kong. Before 1 December 2000, a defined contribution pension scheme was provided to certain eligible employees employed by the Group. The Group ceased the contributions since 1 December 2000, upon introduction of the MPF scheme.

Under the MPF scheme, the Company and each of the Hong Kong subsidiaries of the Company make monthly contributions to the MPF at 5% of the employees' cash income as defined under the MPF legislation. Contributions by both the Company/Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,500 per month per employee and thereafter contributions are voluntary. The Group's contributions to the pension scheme and MPF scheme are expensed as incurred.

As stipulated by rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China as determined by the local government. The Group is required to contribute to the plan at a rate ranging from 7% to 12% of the basic salary of Mainland China employees in addition to contributions by employees at a rate ranging from 7% to 12% of the basic salary as specified by the local government, and the Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash generated from/(used in) operations :

	2017 HK$'000	2016 HK$'000
Profit before tax	3,557,788	1,997,492
Interest income	(147,039)	(241,362)
Interest expense	114,674	55,669
Depreciation	7,203	7,322
Fair value changes on investment properties	(151,334)	(123,977)
Reversal of share option benefits	-	(2,050)
Provision for impairment of trade and other receivables	30,229	1,816
Provision for /(Reversal of) impairment of inventories	83,713	(2,921)
Provision for impairment of goodwill	9,425	-
Fair value changes of other financial liabilities	41,960	-
Share of results of associates	2,495	12,135
Share of results of joint ventures	2,610	-
Operating profit before working capital changes	3,551,724	1,704,124
(Increase)/decrease in inventories	(4,652,418)	898,016
Decrease/(increase) in prepayment, trade and other receivables	6,184,420	(6,839,776)
Decrease in amounts due from customers for contract work	252,881	58,275
Increase in trade and other payables	251,059	711,761
(Decrease)/increase in deferred revenue	(2,906,314)	3,329,407
Decrease in other liabilities	(163)	-
(Increase)/decrease in cash and bank deposits, restricted	(364,593)	32,743
Exchange adjustments	240,141	(478,980)
Cash generated from/(used in) operations	2,556,737	(584,430)

(b) Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	1 January 2017 HK$'000	Financing cash flows(i) HK$'000	Exchanges adjustments HK$'000	Other changes (ii) HK$'000	31 December 2017 HK$'000
Guaranteed bonds	2,696,441	-	26,329	-	2,722,770
Bank loans	8,694,393	3,277,024	5,890	48,138	12,025,445
Loan from a fellow subsidiary	223,589	(223,589)	-	-	-
Amounts due to a fellow subsidiary	2,124,419	1,036,812	148,931	-	3,310,162
	13,738,842	4,090,247	181,150	48,138	18,058,377

(i) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments borrowings in the consolidated statement of cash flows.

(ii) Other changes include amortisation of front-end fee of interest-bearing bank borrowings.

34. FINANCIAL GUARANTEES

As at 31 December 2017, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK$13,142,935,000 (2016: HK$13,688,767,000). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers take the possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. Pursuant to the terms of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take possession of the related properties upon default in mortgage payments by these purchasers. Under such circumstances, the Group is able to retain the property sales proceeds previously received from such purchasers and sell the property to recover any amounts paid by the Group to the banks. Therefore, after taking into account the creditworthiness of the purchasers, the Directors consider that no provision is required in the consolidated financial statements for the guarantees.

In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

35. COMMITMENTS

(a) The Group had capital commitments as follows:

	2017 HK$'000	2016 HK$'000
Contracted but not provided for		
Expenditure in respect of acquisition of land use rights	-	924,492
Expenditure in respect of properties under development	2,011,831	1,419,555
	2,011,831	2,344,047

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2017 HK$'000	2016 HK$'000
Not later than one year	12,515	24,676
Later than one year but not later than five years	12,943	35,207
Later than five years	1,587	1,735
	27,045	61,618

35. COMMITMENTS - continued

(c) The Group leases out investment properties under operating leases which generally run for initial periods of one to three years. None of the leases includes contingent rentals.

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2017 HK$'000	2016 HK$'000
Not later than one year	56,096	63,274
Later than one year but not later than five years	33,349	61,201
	89,445	124,475

36. FINANCIAL RISK FACTORS AND MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest-rate risk, fair value interest-rate risk and equity securities price risk for financial assets at fair value through other comprehensive income), credit risk and liquidity risk. These risks are managed by the Group's financial management policies and practices as described below to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Majority of the subsidiaries of the Group operates in Mainland China, with most of their transactions denominated in RMB, functional currency of the respective group entities. The Group is exposed to foreign exchange risk arising from the exposure of RMB against US$. It has not hedged its foreign exchange rate risk.

In addition, the conversion of RMB into foreign currencies is subject to the exchange rate, and rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2017, if RMB had weakened/strengthened by 5% against US$ with all other variables held constant, post-tax profit for the year would have been HK$9,000 (2016: HK$10,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of assets and liabilities denominated in a currency that is different from the functional currency of the Group's entities.

36. FINANCIAL RISK FACTORS AND MANAGEMENT - continued

(a) Financial risk factors - continued

(i) Market risk - continued

Cash flow interest-rate risk

The Group's cash flow interest-rate risk arises from the fluctuation of the prevailing market interest rate on restricted and unrestricted bank deposits, loans to a non-controlling shareholder of a subsidiary and borrowings issued at variable rates. Other than the concentration of interest rate risk related to the movements in Hong Kong Interbank Offered Rate and the loan interest published by the People's Bank of China, the Group has no significant concentration of interest rate risk.

The Group maintains a close relationship and communicates regularly with its finance providers to explore financing alternatives to monitor and mitigate interest-rate risk. The Group has entered into interest rate swaps to hedge against its exposures to changes in cash flows of its certain interest payments of borrowings (see Note 22).

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for bank balances as the Directors consider that the fluctuation in interest rates on bank balances is minimal.

If interest rates on HK dollar-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, (i) post-tax profit for the year ended 31 December 2017 would have been HK$167,000 (2016: HK$5,678,000) lower/higher in respect of the finance cost charged to the profit or loss; and (ii) properties under development would have increased/decreased by approximately HK$99,795,000 (2016: HK$36,907,000) for finance cost capitalised into properties under development.

If interest rates on RMB-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, (i) post-tax profit for the year ended 31 December 2017 would have been HK$807,000 (2016: HK$2,247,000) lower/higher in respect of the finance cost charged to the profit or loss; and (ii) properties under development would have increased/decreased by approximately HK$269,000 (2016: Nil) for finance cost capitalised into properties under development.

If interest rates on loans to a non-controlling shareholder of a subsidiary had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would have increased/decreased by approximately HK$28,115,000 (2016: HK$18,488,000) for the year ended 31 December 2017.

Fair value interest-rate risk

The Group's fair value interest-rate risk relates primarily to the guaranteed bonds issued at fixed rate.

36. FINANCIAL RISK FACTORS AND MANAGEMENT - continued

(a) Financial risk factors - continued

(i) Market risk - continued

Fair value interest-rate risk - continued

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

Equity securities price risk

The Group is exposed to equity securities price risk because of investments held by the Group and carried at fair value on the consolidated statement of financial position. The Group's equity securities price risk is concentrated on equity instruments operating in property development industry sector quoted in the Stock Exchange. The Group will consider hedging the risk exposure should the need arise.

If the market value of the equity securities held by the Group increased or decreased by 10% and all other variables were held constant, the Group's equity would increase or decrease by approximately HK$79,282,000 (2016: HK$48,168,000) as at 31 December 2017.

(ii) Credit risk

The Group's credit risk primarily arises from deposits with banks, trade and other receivables and guarantees provided in respect of mortgage facilities (Note 34).

The credit risk on deposits with banks is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure adequate provision for impairment losses are made for irrecoverable amounts.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the Group is able to retain the property sales proceeds received from the purchasers and sell the property to recover any amounts paid by the Group to the bank. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on loans to a non-controlling shareholder of a subsidiary, but the exposure is considered limited as the counterparties are at a good financial position.

36. FINANCIAL RISK FACTORS AND MANAGEMENT - continued

(a) Financial risk factors - continued

(ii) Credit risk - continued

The Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a number of customers.

The Group has concentration of credit risk on liquid funds which are deposited with several banks, which are mainly State-owned banks and with high credit ratings in Mainland China and Hong Kong.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available. Management monitors the rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities (Note 28(a)) and cash and bank balances (Note 24) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities at amortised cost into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including both principal and interest). To the extent that interest flows are at variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2017							
Non-derivative financial liabilities							
Borrowings	3.81%	4,456,927	412,219	10,313,890	994,580	16,177,616	14,748,215
Trade and other payables	-	3,466,214	-	-	-	3,466,214	3,466,214
Amounts due to non-controlling shareholders of subsidiaries	-	68,112	-	-	-	68,112	68,112
Amounts due to associates	-	967,788	-	-	-	967,788	967,788
Amounts due to a fellow subsidiary	-	3,310,162	-	-	-	3,310,162	3,310,162
Financial guarantee contracts	-	13,142,935	-	-	-	13,142,935	-
		25,412,138	412,219	10,313,890	994,580	37,132,827	22,560,491
Derivatives - net settlement							
Interest rate swaps		(17,508)	(40,360)	(25,650)	-	(83,518)	76,085
Foreign currency forward contract		41,960	-	-	-	41,960	41,960

36. FINANCIAL RISK FACTORS AND MANAGEMENT - continued

(a) Financial risk factors - continued

(iii) Liquidity risk - continued

	Weighted average interest rate	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2016							
Non-derivative financial liabilities							
Borrowings	3.87%	752,105	6,303,575	4,881,165	1,057,953	12,994,798	11,614,423
Trade and other payables	-	3,887,341	-	-	-	3,887,341	3,887,341
Amounts due to non-controlling shareholders of subsidiaries	-	172,600	-	-	-	172,600	172,600
Amounts due to associates	-	1,066,438	-	-	-	1,066,438	1,066,438
Amounts due to a fellow subsidiary	-	2,124,419	-	-	-	2,124,419	2,124,419
Financial guarantee contracts	-	13,688,767	-	-	-	13,688,767	-
		21,691,670	6,303,575	4,881,165	1,057,953	33,934,363	18,865,221
Derivatives - net settlement							
Interest rate swaps		(2,172)	(24,257)	(100,552)	-	(126,981)	115,637

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(b) Capital risk management

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

The total equity and borrowings of the Group represents the capital structure of the Group. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and bank deposits.

36. FINANCIAL RISK FACTORS AND MANAGEMENT - continued

(b) Capital risk management - continued

The gearing ratios as at 31 December 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
Total borrowings	14,748,215	11,614,423
Less: Cash and bank deposits	(6,255,663)	(5,673,720)
Net debt	8,492,552	5,940,703
Total equity	13,602,538	8,549,872
Gearing ratio	62%	69%

(c) Fair value estimation

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs approximate their fair values. The fair values are estimated using generally accepted pricing models based on discounted cash flows.

The financial assets at fair value through other comprehensive income represent equity securities listed in Hong Kong. As at 31 December 2017, equity securities amounting to HK$792,817,000 (2016: HK$481,682,000) are measured at fair value and based on quoted market prices of an active market (Level 1) at the end of the reporting period.

Other financial assets represent interest rate swap contracts designated as highly effective hedging instruments in order to manage the Group's interest rate exposure in relation to the bank borrowings on a floating interest rate basis. As at 31 December 2017, fair value of interest rate swap contracts amounting to HK$76,085,000 (2016: HK$115,637,000) are measured at the present value of future cash flows estimated based on the applicable yield curves derived from quoted interest rates at the end of the reporting period and contracted interest rate discounted at a rate that reflects the credit risk of various counterparties and categorised in Level 2.

Other financial liabilities represent foreign currency forward contracts designated as an economic hedge of its exposure to exchange rate risks while converting RMB to US$. As at 31 December 2017, fair value of foreign currency forward contracts amounting to HK$41,960,000 (2016: Nil) are measured by option pricing model. The model incorporates the constant price variation, the time value of money, the strike price and the time to the option's expiry and categorised in Level 2.

37. RELATED PARTY TRANSACTIONS

The Group itself is part of a larger group of companies under China Minmetals Corporation ("China Minmetals"), which is controlled by the PRC government. Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts businesses with entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities") in the ordinary course of business. The Directors consider those entities other than the China Minmetals and its subsidiaries are independent third parties as far as the Group's business transactions with them are concerned. Apart from the transactions in below (a), the Group also conducts business with other government-related entities. In establishing its pricing strategies and approval process for transactions with other government related entities, the Group does not differentiate whether the counter-party is a government-related entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the consolidated financial statements.

The Group has entered into various transactions, including sales, purchases, borrowings and other operating expenses with other government-related entities during the year in which the Directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the counterparties are government-related entities.

Other than disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions and balances with related parties, which were carried out in the ordinary and normal course of business of the Group:

(a) Transactions with related parties

	2017 HK$'000	2016 HK$'000
Construction costs to fellow subsidiaries for real estate development projects (note (ii))	209,318	121,123
Construction costs to a non-controlling shareholder of a subsidiary for a real estate development project (note (ii))	-	179,007
Rental expense to a fellow subsidiary (note (iii))	2,958	16,505
Rental and management fee income from fellow subsidiaries (note (iii))	6,757	6,236
Management fee income from an intermediate holding company and ultimate holding company (note (iv))	32,666	27,579
Loan interest expense to a fellow subsidiary (note (v))	151,320	341
Loan interest expense to a non-controlling shareholder of a subsidiary (note (vii))	-	579
Loan interest income from a non-controlling shareholder of a subsidiary (note (ix))	109,128	64,860
Interest income from a fellow subsidiary (note (xi))	314	1,601
Interest income from shareholders of joint ventures (note (xii))	4,646	-

37. RELATED PARTY TRANSACTIONS - continued

(b) Balances with related parties

	2017 HK$'000	2016 HK$'000
Specialised construction costs payable to a fellow subsidiary (note (i))	69,923	81,553
Contract payable to fellow subsidiaries for real estate development projects (note (ii))	48,856	42,983
Management fee receivable from an intermediate holding company and ultimate holding company (note (iv))	35,889	27,579
Loan from a fellow subsidiary (note (v))	-	223,589
Amounts due to a fellow subsidiary (note (vi))	3,310,162	2,124,419
Amounts due to non-controlling shareholders of subsidiaries (note (viii))	68,112	172,600
Amounts due to associates (note (viii))	967,788	1,066,438
Loans to a non-controlling shareholder of a subsidiary (note (ix))	3,748,606	2,465,064
Amount due from a non-controlling shareholder of a subsidiary (note (x))	125,058	-
Amount due from an associate (note (x))	94,674	88,062
Amounts due from joint ventures (note (x))	4,750,871	-
Current deposits placed in a fellow subsidiary (note (xi))	2,148,537	1,574,445

Notes:

(i) Specialised construction costs to a fellow subsidiary of the Company were based on terms mutually agreed by both parties.

(ii) Construction costs to fellow subsidiaries and a non-controlling shareholder of a subsidiary for real estate development projects were based on terms mutually agreed by both parties.

(iii) Rental and management fee income/expense received or receivable from/paid or payable to fellow subsidiaries of the Company were based on the terms in the agreements entered into between the parties involved. The operating lease commitments with fellow subsidiaries has been included in Note 35(b) and (c).

(iv) Management fee income and receivable from an intermediate holding company and ultimate holding company were based on the terms in the agreements entered into between the parties involved.

(v) The loan from a fellow subsidiary is unsecured, bearing interest at 110% of the benchmark interest rate for a one year loan quoted by the People's Bank of China per annum and repayable within one year.

37. RELATED PARTY TRANSACTIONS - continued

(b) Balances with related parties - continued

Notes: - continued

(vi) The amount due to a fellow subsidiary is unsecured, interest free and repayable on demand.

(vii) The short-term loan from a non-controlling shareholder of a subsidiary was unsecured, bearing interest at 110% of the benchmark interest rate for a one to three year loan quoted by the People's Bank of China per annum and repayable on demand and was fully settled in 2016.

(viii) The amounts due to non-controlling shareholders of subsidiaries and associates are unsecured, interest free and repayable on demand.

(ix) The loans to a non-controlling shareholder of a subsidiary is unsecured, bearing interest at the benchmark interest rate for a one-year loan quoted by the People's Bank of China per annum and repayable on demand.

(x) The amounts due from a non-controlling shareholder of a subsidiary, an associate and joint ventures are unsecured, interest free and repayable on demand.

(xi) The interest rate of the current deposits placed in a fellow subsidiary was 0.3% per annum.

(xii) The interest rates of the loans to shareholders of joint ventures were 6.0% to 8.0% per annum.

(c) Key management compensation

	2017 HK$'000	2016 HK$'000
Salaries and short-term employee benefits	14,595	12,651
Pension costs - defined contribution plans	368	318
Share option benefits	-	197
	14,963	13,166

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) List of principal subsidiaries as at 31 December 2017:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/ paid up capital (note (i))	Percentage of equity interest 2017 Directly held by the Company	2017 Indirectly held by the Company	2016 Directly held by the Company	2016 Indirectly held by the Company	Principal activity
北京萬湖房地產開發有限公司 (Beijing Wanhu Property Development Co., Ltd.) ("Beijing Wanhu") (notes (iii))	Mainland China	RMB2,338,120,000	-	51	-	51	Real estate development
Best Pearl Development Limited	Hong Kong	HK$1,000 1,000 shares with no par value	-	100	-	100	Property investment
博羅縣碧華房地產開發有限公司 (Boluo County Bihua Property Development Company Limited "Boluo County Bihua") (note (iii) & (v))	Mainland China	RMB778,013,150	-	100	-	100	Real estate development
Bright Circle Limited	Hong Kong	HK$10,000 10,000 shares with no par value	-	100	-	100	Property investment
龍建(南京)置業有限公司 (Dragon Construction (Nanjing) Properties Co., Ltd.) (note (ii))	Mainland China	US$6,600,000	-	71	-	71	Real estate development
Eastrend (Hong Kong) Limited	Hong Kong	HK$2 2 shares with no par value	-	100	-	100	Property investment
佛山市礦盛房地產開發有限公司 (Foshan Kuangsheng Property Development Co., Ltd.) (note (ii))	Mainland China	RMB520,000,000	-	100	N/A	N/A	Real estate development
Full Pacific Limited	Hong Kong	HK$2 2 shares with no par value	-	100	-	100	Property investment
Great Way Properties Limited	Hong Kong/Mainland China	HK$2 2 shares with no par value	-	100	-	100	Property investment
廣州市礦粵房地產開發有限公司 (Guangzhou Kuangyue Property Development Co., Ltd.) (note (ii))	Mainland China	RMB120,000,000	-	100	N/A	N/A	Real estate development
湖南中潤城鎮置業有限公司 (Hunan Zhongrun Chengzhen Real Estate Co., Ltd.) (note (ii))	Mainland China	RMB10,000,000	-	100	-	100	Real estate development
礦錦地產南京有限公司 (Kuangjin Property Development Nanjing Co., Ltd.) (note (ii))	Mainland China	RMB100,000,000	-	100	N/A	N/A	Real estate development
礦美地產南京有限公司 (Kuangmei Property Development Nanjing Co., Ltd.) (note (ii))	Mainland China	RMB100,000,000	-	100	N/A	N/A	Real estate development
廊坊曠世基業房地產開發有限公司 (Langfang Kuangshi Jiye Property Development Co., Ltd. "Kuangshi Jiye") (notes (iii) & (iv))	Mainland China	US$55,000,000	-	50	-	50	Real estate development
Linkcheer Limited	Hong Kong	HK$2 2 shares with no par value	-	100	-	100	Property investment
Luck Achieve Limited	British Virgin Islands/Hong Kong	US$2 2 shares of US$1 each	-	100	-	100	Securities Investment
Massive Leader Limited	Hong Kong	HK$1 1 share with no par value	-	100	-	100	Real estate development
Minmetals Condo (Hong Kong) Engineering Company Limited	Hong Kong	HK$1 1 share with no par value	-	100	-	100	Design and installation of curtain walls
Minmetals Land Capital Limited	British Virgin Islands	US$10 10 shares of US$1 each	100	-	100	-	Fund raising
Minmetals Land (China) Limited	Hong Kong/ Hong Kong and Mainland China	HK$2 2 shares with no par value	-	100	-	100	Provision of management service

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

(a) List of principal subsidiaries as at 31 December 2017: - continued

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/ paid up capital (note (i))	Percentage of equity interest 2017 Directly held by the Company	Percentage of equity interest 2017 Indirectly held by the Company	Percentage of equity interest 2016 Directly held by the Company	Percentage of equity interest 2016 Indirectly held by the Company	Principal activity
Minmetals Land Investments Limited	British Virgin Islands/Hong Kong	US$1,000 100 shares of US$10 each	100	-	100	-	Investment holding
五礦建設(湖南)嘉和日盛房地產開發有限公司 (Minmetals Land (Hunan) Jiahe Risheng Real Estate Development Co., Ltd. "Jiahe Risheng") (note (ii))	Mainland China	RMB380,000,000	-	100	-	100	Real estate development
五礦地產(武漢)開發有限公司 (Minmetals Land (Wuhan) Development Co., Ltd.) (note (ii))	Mainland China	RMB280,000,000	-	100	N/A	N/A	Real estate development
五礦建設(營口)恒富置業有限公司 (Minmetals Land (Yingkou) Hengfu Properties Co., Ltd.) (note (ii))	Mainland China	US$100,000,000	-	100	-	100	Real estate development
五礦地產南京有限公司 (Minmetals Property Development Nanjing Co., Ltd.) (note (iii))	Mainland China	RMB94,800,000	-	98.88	-	98.88	Real estate development
五礦置業 (天津)濱海新區有限公司 (Minmetals Real Estate (Tianjin) Binhaixinqu Co., Ltd.) (note (ii))	Mainland China	RMB10,000,000	-	100	-	100	Real estate development
礦濟地產(南京)有限公司 (Kuangji Properties (Nanjing) Co., Ltd. "Kuangji Properties") (note (iii) & (vi))	Mainland China	RMB5,400,000,000	-	100	-	100	Real estate development
礦世地產(南京)有限公司 (Kuangshi Properties (Nanjing) Co., Ltd.) (note (ii))	Mainland China	RMB50,000,000	-	100	-	100	Real estate development
湖南曠代房地產開發有限公司 (Hunan Kuangdai Property Development Co., Ltd) (note (ii))	Mainland China	RMB600,000,000	-	100	-	100	Real estate development
礦其地產南京有限公司 (Kuangqi Property Development Nanjing Co., Ltd) (note (ii))	Mainland China	RMB100,000,000	-	100	-	100	Real estate development
ONFEM Finance Limited	British Virgin Islands/Hong Kong	US$1,000 1,000 shares of US$1 each	100	-	100	-	Provision of financing for group companies
Oriental Dragon Construction Limited	Hong Kong/ Hong Kong and Mainland China	HK$10,000 10,000 shares with no par value	-	71	-	71	Investment holding
五礦瑞和(上海)建設有限公司 (Minmetals Condo (Shanghai) Construction Co., Ltd. (note (ii))	Mainland China	US$8,500,000	-	100	-	100	Design and installation of curtain walls and aluminum windows
Texion Development Limited	Hong Kong	HK$50,000,000 50,000,000 shares with no par value	-	100	-	100	Property investment
Top Gain Properties Limited	Hong Kong/ Mainland China	HK$2 2 shares with no par value	-	100	-	100	Property investment
Virtyre Limited	Hong Kong	HK$2 2 shares with no par value	-	100	-	100	Property investment
武漢潤領房地產開發有限公司 (Wuhan Runling Property Development Co., Ltd.) (note (ii))	Mainland China	RMB350,000,000	-	100	N/A	N/A	Real estate development

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

(a) List of principal subsidiaries as at 31 December 2017: - continued

Notes:

(i) The class of shares held is ordinary unless otherwise stated. None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2017.

(ii) These are foreign investment enterprises established in Mainland China with operating periods ranging from 15 years to 40 years.

(iii) These are sino-foreign equity joint ventures established in Mainland China with operating periods ranging from 20 years to 30 years.

(iv) Although the Group owns 50% equity interest in Kuangshi Jiye, it has control over Kuangshi Jiye by holding 60% of the voting power over the board of directors of Kuangshi Jiye, which require simple majority votes of the directors on making decision on relevant activities.

(v) The acquisition of the 20% equity interest in Boluo County Bihua by the Group, as announced on 27 May 2016, has completed in July 2016. Upon the completion, Boluo County Bihua became a wholly owned subsidiary of the Company.

(vi) The acquisition of the 33.33% equity interest in Kuangji Properties by the Group, as announced on 6 December 2016, has completed in December 2016. Upon the completion, Kuangji Properties became a wholly owned subsidiary of the Company.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of equity interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				HK$000	HK$000	HK$000	HK$000
Boluo County Bihua (Note 38(a)(v))	Mainland China	-	-	-	(1,863)	-	-
Kuangshi Jiye	Mainland China	50%	50%	141,222	69,677	426,404	261,689
Beijing Wanhu	Mainland China	49%	49%	592,069	341,781	2,377,500	1,648,305
Kuangji Properties (Note 38(a)(vi))	Mainland China	-	-	-	72,445	-	-
Individually immaterial subsidiaries with non-controlling interests				1,293	3,081	52,054	57,754
				734,584	485,121	2,855,958	1,967,748

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Kuangshi Jiye

	2017 HK$'000	2016 HK$'000
Current assets	1,435,708	1,878,885
Non-current assets	31,223	19,822
Current liabilities	614,124	1,375,330
Total equity	852,807	523,377

	2017 HK$'000	2016 HK$'000
Revenue	1,521,509	908,088
Expenses	(1,239,065)	(768,733)
Profit for the year	282,444	139,355
Other comprehensive income/(expense) for the year	46,986	(32,344)
Total comprehensive income for the year	329,430	107,011
Net cash (outflow)/inflow from operating activities	(484,237)	287,377
Net cash inflow/(outflow) from investing activities	374,090	(681,350)
Net cash outflow from financing activities	(106,025)	-
Net cash outflow	(216,172)	(393,973)

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Beijing Wanhu

	2017 HK$'000	2016 HK$'000
Current assets	9,845,760	9,630,027
Non-current assets	602,602	220,942
Current liabilities	5,596,320	6,487,080
Total equity	4,852,042	3,363,889

	2017 HK$'000	2016 HK$'000
Revenue	4,657,579	2,719,384
Expenses	(3,449,275)	(2,021,872)
Profit for the year	1,208,304	697,512
Other comprehensive income/(expense) for the year	279,850	(225,380)
Total comprehensive income for the year	1,488,154	472,132
Dividends paid to non-controlling interests of Beijing Wanhu	-	258,653
Net cash inflow from operating activities	2,069,064	3,286,168
Net cash outflow from investing activities	(1,986,927)	(3,009,602)
Net cash (outflow)/inflow from financing activities	(495,784)	153,439
Net cash (outflow)/inflow	(413,647)	430,005

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	880,677	918,164
Current assets		
Amounts due from subsidiaries	15,808,341	14,982,219
Other receivables	5,821	32,917
Cash and bank deposits, unrestricted	150,815	383,957
	15,964,977	15,399,093
Total assets	16,845,654	16,317,257
EQUITY		
Share capital	334,503	334,444
Reserves	4,803,535	4,914,373
Total Equity	5,138,038	5,248,817
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	11,641,226	11,019,887
Accruals and other payables	66,390	48,553
Total liabilities	11,707,616	11,068,440
Total equity and liabilities	16,845,654	16,317,257
Net current assets	4,257,361	4,330,653
Total assets less current liabilities	5,138,038	5,248,817

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - continued

(b) Statement of reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000 (note 26(a))	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2016	4,269,948	491,773	769	37,534	268,891	5,068,915
Issue of shares	56	-	-	-	-	56
Reversal of employee share option benefits	-	-	-	(2,050)	-	(2,050)
2015 final dividend paid	-	-	-	-	(66,886)	(66,886)
Loss for the year	-	-	-	-	(85,662)	(85,662)
Balance at 31 December 2016	4,270,004	491,773	769	35,484	116,343	4,914,373
Issue of shares	206	-	-	-	-	206
Reclassification of employee share option benefits	3,673	-	-	(34,301)	30,628	-
2016 final dividend paid	-	-	-	-	(133,777)	(133,777)
Profit for the year	-	-	-	-	22,733	22,733
Balance at 31 December 2017	4,273,883	491,773	769	1,183	35,927	4,803,535

CHAIRMAN'S STATEMENT

Global economy recovered from recession and recorded significant economic growth in 2017. Major developed countries witnessed clear signs of economic recovery with inflation rate remaining at low level. Presidential election in the UK and France, the Trump's policies and interest rate hike from the U.S. Federal Reserve dominated headlines in the financial market in the first half of 2017. Increased tension in the Middle East and the Korean Peninsula brought significant geopolitical uncertainty. Meanwhile, economy of emerging markets also started to improve. China's economy insisting on pursuing economic growth amidst steady performance while implementation of "supply-side structural reform" has been deepened. Reforming measures in cutting excessive industrial capacity, inventory destocking and de-leveraging were progressing in an orderly manner. The continued release of inner motivation as a result of economic growth has been fueled to drive for better future growth.

The year of 2017 was a crucial year for Minmetals Land that not only had it thoroughly implemented the "13th Five-Year Plan", reform, consolidation and overall competitiveness had also been substantially enhanced. We have set a working principle at the beginning of the year to continually promoting management consolidation, deepening reform, improving asset quality intensely, optimizing business coverage and accelerating both strategic transformation and business model innovation. During the year of review, the Group devoted tremendous efforts in exploring business opportunities in new cities, enhancing project development operational efficiency, brand building, cash collection efficacy and financial and operational integration through the establishment of ERP system, and achieved pleasant results.

INDUSTRY AND BUSINESS REVIEW

China's property market ended in 2017 amidst steady rise, in which property prices of core Tier 1 and Tier 2 cities remained stable but transaction volume shrank. Property prices in less popular Tier 2 and Tier 3 cities escalated with remarkable transaction volume. The scale of land sales increased for the first time in the past four years with the largest supply in residential land, which eased the pressure of land supply but the risk of high land premium remained. Looking from the perspective of competition situation, large industry players became even stronger. Transformational innovations with industry landscape facing tremendous changes appeared in the sector. There was an acceleration of industry concentration. Sales volume and market share of leading players kept rising as they enjoyed an economy of scale. Developers remained rational in land bank replenishment though their enthusiasm was no less than before.

Against this backdrop, we have set an annual sales target of RMB10 billion for each of our regional hubs. During the year of review, we had made a consolidation of the Group's strategic layout in Central China after we successfully moved into the Wuhan market having auctioned two parcels of land in Panlongcheng and Jiangxia in May and September respectively. Our land bank in Yangtze River Delta region was replenished after we successfully acquired through joint ventures land parcels in Pukou and Hexi in Nanjing in July. Such acquisitions support the Group's operation and brand development in the region. These new projects will start to make revenue contribution from 2018 and will enhance sustainable development of the Group. As at the end of 2017, the land bank of the Group was approximately 3.86 million square metres in which 65% (in terms of value) is situated in Tier 1 and core Tier 2 cities.

In terms of product development, we have actively researched for innovative product series. Apart from the "Royale" series, we have created the "Enchanté" and "Scenery" series for low-density mid-luxury urban residential development, which shaped the three principal product series of Minmetals Land. The resultant projects included Nanjing Enchanté Cove, Enchanté Oasis, Wuhan Enchanté Crest and Wuhan Scenery Cove. As a member of the "Royale" series, Foshan Academic Royale will be developed in the style of Neo Asian community with duplex design. Regarding the new residential project in Yau Tong, Hong Kong, it will be equipped with indoor and outdoor swimming pools with a coastal lifestyle amidst panoramic sea views. In addition, the Group has promoted brand building intensively. A conference designated for launching the new brand under the theme of "Ideal Urban Living in the New Era" was held at the end of last year. At the conference, the strategic layout and business portfolio of Minmetals Land were presented. Besides, the conference also introduced other brands of the Group such as “LIVE” for commercial complex development, “Xingfuli" for community-based commercial property and the brand "VIP-LIFE" for housing that offers thoughtful and caring living environment.

In terms of development operation, tremendous efforts have been made to enhance efficiency in new project development. The newly acquired Wuhan Enchanté Crest project obtained construction work permit within five months of land acquisition and thus, allows an early commencement of construction. Benefiting from the joint-venture operation, the Nanjing Pukou project obtained construction work permit within five and a half months of land acquisition. The Hong Kong Yau Tong project has commenced foundation work as scheduled. In order to optimize the entire real estate operation and meet the requirements of setting up an ERP System, we had thoroughly re-examined and revised the authorisation and approval procedures for our real estate business segment.

During the year of review, all staff of the Group had endeavoured to complete their assignments and operational targets. Apart from achieving good operating results, we have also made significant progress and breakthroughs in quality of operation, operational capability, business model transformation and innovation, brand building, quality of asset and set up of information system. As such, it provides ample resource and management capability for the implementation of the "13th Five-Year Plan". Our 2017 consolidated revenue increased by 3.1% to HK$11.94 billion while gross profit margin improved to 34.3%. Profit for the year increased by 45.3% to HK$1.45 billion. Net profit attributable to equity holders of the Company increased by 39.2% to HK$713 million. Basic earnings per share was HK21.32 cents (2016: HK15.31 cents). The Board has proposed a final dividend of HK6.0 cents (2016: HK4.0 cents) per share for the year of 2017.

PROSPECTS AND OUTLOOK

Policy and Industry Outlook

Cooling and controlling measures were the key themes throughout the year of 2017. Tier 1 cities and surrounding metropolitan areas as well as popular Tier 2 cities and cities in Central and Western China entered into the so-called “five-limitation era” that there were limitations on purchaser’s eligibility, mortgage loan, pricing, sales and limitation on the conversion of commercial properties to quasi-residential properties. More than 250 property-related policies were imposed across the country throughout the year. In terms of political environment, the Political Bureau of the Central Committee suggested the speeding up of housing system reform. It also suggested in the Central Economic Work Conference to maintain the existing real estate regulatory policies and to accelerate the establishment of policy for rental housing and property sales system. In the subsequent National Housing and Urban-Rural Development Conference, the importance of imposing different kinds of controlling measures towards different tiers of cities and different kinds of housing demand were emphasized so as to meet the needs of the first home buyers, upgraders and to curb speculations.

Moving into 2018, we believe that the Central Government will still keep a firm hold of these objectives and the degree of stringent controlling measures. Local governments have already fine-tuned the policy on purchasing restriction pursuant to their own circumstances. Against this background, we expect the market to remain relatively stable with lower volatility and the operating environment shall be slightly favourable than last year. The Group will review and adjust its strategy as and when appropriate from time to time.

Looking into 2018, the cooling and controlling measures of Tier 1 and Tier 2 cities moves into Tier 3 and Tier 4 cities in addition to the tightening of nationwide monetary policy. It is estimated that the growth cycle in Tier 3 and Tier 4 cities will come to an end. Whilst the inventory level in Tier 1 and Tier 2 cities is still at record low, the inventory level in most cities is healthy. Therefore, property developers will continue to have pricing power in the short run. We will adjust our strategy on a timely manner and seize opportunities to deepen our presence in core cities. Meanwhile, having seen the rental housing and property purchase practices are being implemented, there are a number of cities elected to have land biddings with partial or entire self-owned options. Some real estate companies teamed up with financial institutions for additional rental credit support or asset securitization initiatives. The traditional development model has been transformed to a model of renovation and upgrading of old-town and rental housing operation. We will explore the feasibility of transforming to an urban developer and take expedient actions in advance.

From a funding perspective, the global financial market is generally stable. However, a shrinking Federal Reserve balance sheet is likely to cause policy shake-up in other developed economies and bring instability to the global financial market in the near future. The pace of recovery in global trade and investment has accelerated, but international economic situation is still in the midst of restoration with mixed future prospects. Under the backdrop of the tightening global monetary policy, emerging markets have also entered into a credit tightening cycle which will put pressure on China's economic growth, balance of international payments and asset prices. Given a tightening financing environment both onshore and offshore, we will try to seek multiple funding channels, lower our inventory level and improve cash collection rate.

Business Prospects

In 2018, in the pursuit of steady growth and rapid improvement in the quality of development, we adopted the operational strategy of striving for growth amidst maintaining stable performance, promoting business model innovation, enhancing quality of management and operational efficiency, grasping the best timing for launching pre-sales and achieving sustainable development.

In terms of investment, we will adhere to a prudent investment strategy of enlarging our presence in cities where we have advantageous position, focusing on core regional cities investment and expanding in selected core Tier 2 cities as and when appropriate. We will look for alternatives for acquiring land by exploring new project opportunities through leveraging on the existing ones. Further, we will seek collaborative initiatives with local government, leading industry players and companies with advantageous land resources.

In terms of financial management, we will adhere to prudent financial management principles to closely monitor debt ratio and operating expenses, strengthen capital market capability, optimize asset composition, and utilize our advantageous listed position for capital raising in Hong Kong.

SOCIAL RESPONSIBILITY

Minmetals Land has been an advocate of corporate social responsibility. It has carried out numerous social initiatives such as the support of local education by sponsoring the Project Hope and offering scholarships for students of various universities. It regularly organizes welfare activity called “warming up the rural area” where assistance would be provided to rural families in need. Besides, Minmetals Land also provides sponsorships to sporting events and participates in charity works such as “walk for the love of Qinghai”. We will continue to serve the society and fulfill our social responsibility to attain a harmonious and win-win situation that is mutually beneficial to the Company, shareholders, employees, stakeholders and the community.

CONCLUSION

Though the road ahead is full of challenges, we firmly believe that, leveraging on the advantage of China Minmetals and our well-established branding, together with our advantageous status as a Hong Kong listed company, we will further release our growth potential.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's operating results for 2017 continued to improve with consolidated revenue amounting to HK$11,935.5 million, representing an increase of 3.1% compared to HK$11,576.3 million of last year. Real estate development operating segment recorded a revenue growth of 3.3% to HK$10,907.2 million (2016: HK$10,557.0 million) as a result of the increase in average selling price of the properties delivered to buyers. Specialised construction operating segment recorded a revenue growth of 1.0% to HK$964.3 million (2016: HK$954.8 million), which was attributed to the completion and settlement of certain projects by Condo Hong Kong. The revenue from property investment operating segment slightly slipped 0.8% to HK$64.0 million (2016: HK$64.5 million).

Segment Revenue

	For the year ended 31 December				**Year-on-year**
	2017		2016		**change**
	HK$ million	**%**	HK$ million	%	**%**
Real estate development	**10,907.2**	**91.4**	10,557.0	91.2	**+3.3**
Specialised construction	**964.3**	**8.1**	954.8	8.2	**+1.0**
Property investment	**64.0**	**0.5**	64.5	0.6	**-0.8**
Securities investment	**—**	**—**	—	—	**—**
Total	**11,935.5**	**100.0**	11,576.3	100.0	**+3.1**

Segment Results

	For the year ended 31 December				**Year-on-year**
	2017		2016		**Change**
	HK$ million	**%**	HK$ million	%	**%**
Real estate development	**3,665.6**	**96.3**	1,746.1	87.6	**+109.9**
Specialised construction	**(123.7)**	**(3.2)**	48.2	2.4	**N/A**
Property investment	**224.4**	**5.9**	180.5	9.1	**+24.3**
Securities investment	**39.5**	**1.0**	18.4	0.9	**+114.7**
Total	**3,805.8**	**100.0**	1,993.2	100.0	**+90.9**

Since properties with higher profit margin were being recognised, overall gross profit margin improved significantly from 19.5% to 34.3%. As a result of a robust commercial office sector in Hong Kong, valuation for investment properties has growth consistently leading to a large increase in fair value gain on investment properties of 22.0% to HK$151.3 million (2016: HK$124.0 million). The Group's selling and marketing expenses decreased 14.9% to HK$185.6 million (2016: HK$218.1 million) due to reduction of selling expenses from a lower contracted sales during the year. As a result of a one-off inventory impairment and provision for trade receivables, the administrative and other expenses increased by 39.2% to HK$590.1 million (2016: HK$423.9 million). However, administrative and other expenses would have recorded a slight increase of 9.8% if these items are excluded.

During the year under review, as the Group deployed more cash funding for land bidding and acquisitions, finance income decreased 39.1% to HK$147.0 million (2016: HK$241.4 million). In addition, finance costs charged to the profit or loss recorded a significant increase of 105.9% to HK$114.7 million (2016: HK$55.7 million) as a result of an increase in raising external funding. As a project of an associate is at the final stage of sales with lower operational cost, loss from share of results of associated company was compressed to

HK$2.5 million (2016: HK$12.1 million). Profit attributable to equity holders of the Company surged 39.2% to HK$712.9 million from HK$512.1 million of last year, representing a basic earnings per share of HK21.32 cents (2016: HK15.31 cents) for the year.

As at 31 December 2017, the Group's total assets grew 20.0% to HK$49,018.4 million (2016: HK$40,862.1 million) whilst net assets increased 59.1% to HK$13,602.5 million (2016: HK$8,549.9 million), which is primarily attributed to the appreciation of Renminbi exchange rate and a RMB2.0 billion perpetual loan granted by a fellow subsidiary during the year. The financial position of the Group remained healthy with gearing ratio of 72.3% (2016:79.1%), net gearing ratio of 62.4% (2016: 69.5%), and its net current assets rose 21.6% to HK$19,253.9 million (2016: HK$15,839.2 million). Deferred revenue, which mainly represents contracted sales carried forward and will subsequently be recognised as the Group's revenue when presold properties are completed and delivered to buyers, declined 16.4% to HK$10,384.0 million (2016: HK$12,419.6 million).

REAL ESTATE DEVELOPMENT

Contracted Sales*

In 2017, the Group's total contracted sales declined 31.2% to RMB8,051 million (2016: RMB11,702 million) and the gross floor area ("GFA") contracted for sale declined 38.2% to 372,000 square metres (2016: 602,000 square metres). Total number of units sold during the year slid 4.6% to 5,626 units (2016: 5,895 units) and the average selling price ("ASP") increased 11.9% to approximately RMB21,700 (2016: RMB19,400) per square metre. The majority of the contracted sales was derived from Tier 1 and core Tier 2 cities.

The table below provides an analysis of contracted sales by project for the years 2016 and 2017:

	Year ended 31 December					
	2017			2016		
Project	**Contracted amount (RMB million)**	**Contracted GFA (sq.m.)**	**ASP (RMB/sq.m.)**	Contracted amount (RMB million)	Contracted GFA (sq.m.)	ASP (RMB/sq.m.)
Beijing Fortune Garden	**3,035**	**36,679**	**82,738**	3,136	41,947	74,761
Yingkou Platinum Bay	**250**	**42,178**	**5,930**	101	20,121	5,000
Langfang Minmetals Vanke City	**564**	**46,559**	**12,113**	807	82,179	9,818
Tianjin Minmetals International	-	-	-	101	9,320	10,791
Nanjing Riviera Royale	-	-	-	12	154	76,703
Nanjing Sello Royale	-	-	-	464	26,504	17,526
Nanjing Academic Royale	**1,800**	**45,268**	**39,764**	2,751	80,140	34,323
Nanjing Yan Shan Ju	**941**	**21,759**	**43,232**	2,564	72,949	35,149
Changsha LOHAS International Community	**801**	**131,959**	**6,073**	875	168,241	5,198
Changsha Scotland Town	**44**	**4,970**	**8,942**	6	1,098	5,050
Changsha Qin Royale	**214**	**10,166**	**21,003**	503	63,520	7,920
Huizhou Hallstatt See	**402**	**32,160**	**12,502**	382	36,006	10,596
Total	**8,051**	**371,698**	**21,667**	11,702	602,179	19,433

* "Contracted Sales" means sales contracts entered into between the Group and purchasers pursuant to the Administrative Measures on the Sales of Commodity Buildings promulgated by the Ministry of Housing and Urban-rural Development on 4 April 2001 and implemented on 1 June 2001. Sale of commodity buildings included both pre-completion sales (pre-sale) and post-completion sales.

Project Profiles

Location/Project		Attributable interest to the Group	Site Area (sq.m.)	Estimated GFA (sq.m.)	GFA completed (sq.m.)	GFA under development (sq.m.)	GFA held for future development (sq.m.)
Pan Bohai Rim							
1.	Beijing Fortune Garden	51.0%	139,000	414,000	308,000	106,000	—
2.	Yingkou Platinum Bay	100.0%	396,000	521,000	158,000	129,000	234,000
3.	Langfang Minmetals Vanke City	50.0%	433,000	704,000	284,000	153,000	267,000
4.	Tianjin Minmetals International	100.0%	21,000	183,000	183,000	—	—
Yangtze River Delta							
5.	Nanjing Sello Royale	100.0%	179,000	270,000	270,000	—	—
6.	Nanjing Academic Royale	100.0%	136,000	482,000	403,000	79,000	—
7.	Nanjing Yan Shan Ju	100.0%	91,000	203,000	192,000	11,000	—
8.	Nanjing Enchanté Oasis	100.0%	95,000	255,000	—	255,000	—
9.	Nanjing Enchanté Cove	100.0%	68,000	144,000	—	144,000	—
10.	Nanjing Pukou Project*	39.8%	83,400	283,000	—	283,000	—
11.	Nanjing Hexi Project*	33.9%	43,000	230,000	—	—	230,000
Central China							
12.	Changsha LOHAS International Community	100.0%	643,000	1,084,000	924,000	158,000	2,000
13.	Changsha Scotland Town	100.0%	333,000	442,000	442,000	—	—
14.	Changsha Qin Royale	100.0%	150,000	534,000	128,000	187,000	219,000
15.	Wuhan Enchanté Crest*	100.0%	61,000	178,000	—	—	178,000
16.	Wuhan Scenery Cove*	100.0%	52,400	210,000	—	—	210,000
Pearl River Delta							
17.	Huizhou Hallstatt See	100.0%	984,000	1,003,000	194,000	41,000	768,000
18.	Foshan Academic Royale	100.0%	42,500	187,000	—	27,000	160,000
19.	Guangzhou Greenery Terrace	100.0%	30,600	29,000	—	29,000	—
20.	Hong Kong Yau Tong Project	100.0%	10,500	53,000	—	53,000	—

** New Project of 2017*

Beijing Fortune Garden

Fortune Garden is a residential development project located at Xibeiwang Town, Haidian District, Beijing. It occupies an aggregate site area of approximately 139,000 square metres and has an aggregate planned gross floor area of approximately 414,000 square metres. The project received the "International Award" granted by the British Association of Landscape Industries in recognition of its outstanding landscape design. The project is comprised of two phases. Whilst Phase I was completed and delivered, Phase II is expected to be delivered to buyers in 2018. In 2017, a contracted sales of around 36,679 square metres were recorded under this project.

Yingkou Platinum Bay

Platinum Bay is a residential development project comprises villas and apartments. Located at Liaoning (Yingkou) Coastal Industrial Base, Yingkou City, Liaoning Province, the project occupies an aggregate site area of approximately 396,000 square metres and has an aggregate planned gross floor area of approximately

521,000 square metres. The project is comprised of five phases. Development of Phases I and II was completed in December 2012. Part I of Phase III commenced delivery as of the end of 2015 and Part II of Phase III has reached completion in the end of 2017. Part I of Phase IV commenced construction in May 2017 and is expected to complete construction by the end of 2018. Part II of Phase IV that commenced construction in October 2017 is expected to commence pre-sale in the second quarter of 2018 and to complete construction by the end of 2019. The construction schedule of Part III of Phase IV is subject to the pre-sale results of the previous phases. Phase V will be comprised of high-rise units, the construction schedule of which will be dependent on market condition. The expected construction completion date for the entire project is subject to further analysis. In 2017, a contracted sales of around 42,178 square metres were recorded under this project.

Langfang Minmetals Vanke City
Minmetals Vanke City is a residential development project comprises villas and high-rise units. Located in Jiangxintun Town, Xianghe County, Langfang City, Hebei Province, the project occupies an aggregate site area of approximately 433,000 square metres and has an aggregate planned gross floor area of approximately 704,000 square metres. Phase I of the project was completed and delivered in 2016. High-rise units of Phase II commenced construction in 2016 and has reached completion for delivery by the end of 2017. The remaining part of the project is currently under planning and the expected construction completion date for the entire project is subject to further analysis. In 2017, a contracted sales of around 46,559 square metres were recorded under this project.

Tianjin Minmetals International
Minmetals International is a mixed commercial and residential development project located at the east of Yingbin Main Road and south of Tuochang Road, Tanggu District, Tianjin. The project is comprised of office space, apartments, retail stores as well as car-parking spaces. It occupies an aggregate site area of approximately 21,000 square metres and has an aggregate gross floor area of approximately 183,000 square metres. So far, 96% of the gross saleable floor area was sold. In 2017, no contracted sales were recorded under this project.

Nanjing Sello Royale
Sello Royale is a residential development project located at the south of Hongjing Road, Science Park, Jiangning District, Nanjing, Jiangsu Province. The project is comprised of villas and low-rise apartments. It occupies an aggregate site area of approximately 179,000 square metres and has an aggregate gross floor area of approximately 270,000 square metres. The project was awarded the "Best Residential Development in 2014 (East & Central China)" at the first China Property Awards held by Ensign Media. So far, 99% of the gross saleable floor area was sold.

Nanjing Academic Royale
Academic Royale is a residential development project located at Tian He Road, southern part of Hexi, Jianye District, Nanjing, Jiangsu Province. It is approximately 5 kilometres from the Nanjing Olympic Sports Centre, the main stadium for the Nanjing 2014 Summer Youth Olympic Games. The project is situate in the Nanjing Hexi New City Zone, a district of key future development with a construction plan of becoming a comfortable living Eco-City. The project is designed as a high-quality residential community with low density. It occupies an aggregate site area of approximately 136,000 square metres and has an aggregate planned gross floor area of approximately 482,000 square metres. The project is comprised of four phases. Development of Phase I and Phase II was completed in 2015 and 2016 respectively. Phase III commenced construction in January 2015 and is expected to deliver to buyers with full refurbishment in 2018. Phase IV commenced construction in April 2016 and is expected to deliver to buyers with full refurbishment in the second quarter of 2019. In 2017, a contracted sales of around 45,268 square metres were recorded under this project.

Nanjing Yan Shan Ju

Yan Shan Ju is a residential development project located in the established prime residential area at the southeast of Zijin Mountains in Nanjing Xuanwu District, Nanjing, Jiangsu Province where land supply is limited. It occupies an aggregate site area of approximately 91,000 square metres and has an aggregate planned gross floor area of approximately 203,000 square metres. There are well developed transportation facilities and the project is in close proximity to the Ninghang Expressway and Subway Line No. 2. In addition, it enjoys excellent surrounding environment and neighbours a number of educational and research institutions. The project is designed as a high-end low-density residential community comprises low-rise apartments for first time buyers and upgraders from the local district and the Nanjing city. It is comprised of two phases. Development of Phase I that commenced in the first quarter of 2015 has delivered to buyers with full refurbishment in 2017. Development of Phase II that commenced in the third quarter of 2015 is expected to deliver to buyers with full refurbishment in 2018. In 2017, a contracted sales of around 21,759 square metres were recorded under this project.

Nanjing Enchanté Oasis

Enchanté Oasis is a residential development project located within the core centre of Zijin Technology Entrepreneurial Special Zone at the junction of Shuanglong Avenue and Xuelindong Road, Jiangning District, Nanjing, Jiangsu Province and to the west of Shangqinhuai Wetland Park, the largest wetland park in China. It occupies an aggregate site area of approximately 95,000 square metres and has an aggregate planned gross floor area of approximately 255,000 square metres. The project is comprised of two phases. Development of Phase I has commenced in the second quarter of 2017 and is expected to be delivered to buyers by the end of 2019. Development of Phase II has commenced in January 2018 and is expected to be delivered to buyers by the second quarter of 2020.

Nanjing Enchanté Cove

Enchanté Cove is a residential development project located in the south-eastern corner of Fangshan, Jiangning District, Nanjing, Jiangsu Province within the Jiangning University Town at the junction of Fangqian Avenue and Wushi Road. It occupies an aggregate site area of approximately 68,000 square metres and has an aggregate planned gross floor area of approximately 144,000 square metres. Development of the project that commenced in the second quarter of 2017 is expected to reach completion in the third quarter of 2018 for sales and to be delivered to buyers by the second quarter of 2019.

Nanjing Pukou Project

Pukou Project is a residential development project located at the junction of Guangming Road and Lixin Road, Pukou District, Nanjing, Jiangsu Province with close proximity to Metro Line No. 10 Yushan Road Station and is equipped with well-established facilities. It occupies an aggregate site area of approximately 83,400 square metres and has an aggregate planned gross floor area of approximately 283,000 square metres. Development of the project that commenced in December 2017 is expected to reach completion in the fourth quarter of 2018 for sales and to be delivered to buyers by the second quarter of 2020.

Nanjing Hexi Project

Hexi Project is a residential and commercial development project located in Gulou District, the northern part of Hexi, Nanjing, Jiangsu Province. The site enjoys an array of transportation, commercial and educational resources. It occupies an aggregate site area of approximately 43,000 square metres and has an aggregate planned gross floor area of approximately 230,000 square metres. Development of the project is expected to commence in the first quarter of 2018 and it is expected to reach completion in the fourth quarter of 2019 for sales and to be delivered to buyers by the third quarter of 2020.

Changsha LOHAS International Community

LOHAS International Community is a large-scale residential development project with ancillary facilities such as clubhouse, shops, car-parking lots, schools and landscaped garden. Located at Gaoyun Road, Muyun Town, Changsha County, Hunan Province, the project occupies an aggregate site area of approximately 643,000 square metres, including a private lake of 30,000 square metres, and has an aggregate planned gross floor area of approximately 1,084,000 square metres. The project is comprised of five phases. Whilst development of Phases I to IV was completed during the years from 2010 to 2014, the development of Part I of Phase V was completed in 2015. Development of Part II of Phase V has commenced in 2016 and is expected to complete in the fourth quarter of 2018. In 2017, a contracted sales of around 131,959 square metres were recorded under this project.

Changsha Scotland Town

Scotland Town is a residential development project located at Yuntang Village and Yuetang Village, Muyun Town, Changsha County, Hunan Province and is adjacent to LOHAS International Community. It occupies an aggregate site area of approximately 333,000 square metres and has an aggregate gross floor area of approximately 442,000 square metres. So far, 98% of the gross saleable floor area was sold. In 2017, a contracted sales of around 4,970 square metres were recorded under this project.

Changsha Qin Royale

Qin Royale is a residential and commercial development project located at Fu Yuan West Road, Kaifu District, Changsha County, Hunan Province which is within a comfortable living Eco-City zone under planning, with close proximity to the Kaifu District Administration Centre. It occupies an aggregate site area of approximately 150,000 square metres and has an aggregate planned gross floor area of approximately 534,000 square metres, of which approximately 331,000 square metres is designated for residential purpose, approximately 113,000 square metres for commercial purpose, approximately 5,000 square metres for public ancillary facility purpose, and approximately 71,000 square metres for car-parking and civil air defence purpose. Whilst the residential portion of the project will be developed into a quality residential community for first home buyers and upgraders, the commercial portion will be developed as an entertainment complex with a studio in the center of the development surrounded by office buildings, hotel, shopping malls, and food and beverage facilities. The project is comprised of four phases. Development of Phase I which is comprised of villas and selected high-rise units was completed in 2016. Development of Phase II that commenced in the first quarter of 2017 is expected to launch pre-sale in the first quarter of 2018 and deliver to buyers in September 2019. Development and pre-sale of commercial properties of Phase III that commenced in the fourth quarter of 2017 is expected to be delivered to buyers in the fourth quarter of 2019. Development of residential units of Phase IV is expected to commence in the second quarter of 2018 and to launch pre-sale in the third quarter of 2018. The expected construction completion date for the project is in the fourth quarter of 2019. In 2017, a contracted sales of around 10,166 square metres were recorded under this project.

Wuhan Enchanté Crest

Enchanté Crest is a residential development project located in Huangpi District, Wuhan, Hubei Province in the Panlongcheng Economic Development Zone situated at the junction of Songjiagang East Road and Huayun Road. It occupies an aggregate site area of approximately 61,000 square metres and has an aggregate planned gross floor area of approximately 178,000 square metres. The project is designed as a high-end residential community comprises low-rise apartments for first home buyers and upgraders. Development of the project that commenced in the fourth quarter of 2017 is expected to commence pre-sale in the second quarter of 2018 and reach completion by the second quarter of 2020.

Wuhan Scenery Cove

Wuhan Scenery Cove is a residential development project located in between the south of Third Ring and Fourth Ring of Wuhan, Hubei Province with close proximity to Huangjiahu University Town and the 2019 Military World Game Stadium. The site is well equipped with transportation, social and lifestyle facilities, including the nearby Metro Line No. 8 Stadium Station. It occupies an aggregate site area of approximately 52,400 square metres and has an aggregate planned gross floor area of approximately 210,000 square metres. The project is comprised of two phases. Development of the villa portion is expected to commence in the second quarter of 2018 with pre-sale to be launched in the third quarter of 2018 and delivery to buyers in the third quarter of 2019. Development of the high-rise portion is expected to commence in the second quarter of

2018 with pre-sale to be launched in the fourth quarter of 2018 and delivery to buyers in the first quarter of 2021.

Huizhou Hallstatt See

Hallstatt See is a large-scale residential development project located at Mai Tian Ling, Boluo County, Huizhou City, Guangdong Province with close proximity to many amenities including golf course. Surrounded by hills and a 20-acre lake, the project occupies an aggregate site area of approximately 984,000 square metres and has an aggregate planned gross floor area of approximately 1,003,000 square metres. The project received 4A tourist attraction rating by China National Tourism Administration in 2015, and was given an award for its innovative cultural and resort real estate model in the 10th Annual Real Estate Billboard event hosted by China Commercial Real Estate Commission. The project is comprised of seven phases. Development of Phase I and part of Phase II was completed and delivered in 2013 and 2014 respectively. Construction of the majority of Phase II and Phase III was completed in November 2015. In 2017, a contracted sales of around 32,160 square metres were recorded under this project.

Foshan Academic Royale

Foshan Academic Royale is a residential development project located at Lujingdong Road, Chancheng District, Foshan. Being situated in the Guangzhou-Foshan Urban Integration Development Region, the project is located at the junction of the Central Nanhai District and Chancheng District, within half an hour drive to Guangzhou and the core districts of Foshan. It occupies an aggregate site area of approximately 42,500 square metres and has an aggregate planned gross floor area of approximately 187,000 square metres. The project that comprises mainly high-rise buildings will be developed into a quality residential community for first home buyers and upgraders. The project is comprised of two phases. Development of Phase I that commenced in the first quarter of 2017 is expected to launch pre-sale in the second quarter of 2018 with expected completion for delivery to buyers in the fourth quarter of 2020. Development of Phase II is expected to commence in the second quarter of 2018 with pre-sale to be launched in the second quarter of 2019 and delivery to buyers in the second quarter of 2021.

Guangzhou Greenery Terrace

Greenery Terrace is a residential development project located at Xingnan Avenue, Nancun County, Panyu District, Guangzhou within the Huanan New Town Zone. Being one of the few low-density sites located in the Huanan New Zone, the close proximity to Metro Line No. 7 and the various developments and facilities in the Wanbo Commercial Area in the near future will add tremendous value to the project. It occupies an aggregate site area of approximately 30,600 square metres and has an aggregate planned gross floor area of approximately 29,000 square metres. The project will be developed into a high-end low-density villa community. Development of the project that commenced in the third quarter of 2017 is expected to launch pre-sale in March 2018 with expected completion for delivery to buyers in the fourth quarter of 2019.

Hong Kong Yau Tong Project

Yau Tong Project is a residential development project located at the junction of Shung Shun Street and Yan Yue Wai, Yau Tong, Kowloon, Hong Kong. With idyllic and unobstructed view of the Victoria Harbour, the development offers stylish and relaxing living environment. It occupies an aggregate site area of approximately 10,500 square metres and has an aggregate planned gross floor area of approximately 53,000 square metres. The project is comprised of 4 high-rise blocks with 688 units which are mostly small to medium-sized, to meet owner occupier and upgrade demand from single and expanding families. It also provides three and four-bedroom units for self-use and upgrade demand. Development of the project has commenced in the fourth quarter of 2017 with pre-sale scheduled to commence in 2020. The construction of the project is expected to complete in 2022.

Land Bank

As at 31 December 2017, the Group had a land bank developable in gross floor area of approximately 3.86

million square metres across 20 real estate development projects in 11 cities, namely Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Wuhan, Huizhou, Hong Kong, Foshan and Guangzhou.

New Land Bank Acquisition

Throughout the year of 2017, the Group has added four new projects to its real estate development portfolio and thus the developable gross floor area of land bank increased by approximately 901,000 square metres. The total cost and average cost for the newly acquired land amounted to approximately RMB12.4 billion and approximately RMB13,800 per square metre respectively. Amongst these project locations, Wuhan is a core regional city of high importance, the debut entry of which strengthens the Group's strategic positioning in Central China. The acquisition of two parcels of land in Nanjing, where the Group has already established a solid footprint, further consolidates the Group's leading position in the local market with enhancing brand penetration that continue to promote rapid expansion of the Group.

Location/Project	Property type	Attributable interest to the Group	Site area (sq.m.)	Estimated GFA (sq.m.)	Total land cost* （RMB million）	Average land cost （RMB per sq.m.）
1. Wuhan Enchanté Crest	Residential	100.0%	61,000	178,000	770	4,300
2. Wuhan Scenery Cove	Residential	100.0%	52,400	210,000	1,011	4,800
3. Nanjing Pukou Project	Residential	39.8%	83,400	283,000	4,150	14,700
4. Nanjing Hexi Project	Residential & commercial	33.9%	43,000	230,000	6,500	28,300

Note：on 100% equity basis

SPECIALISED CONSTRUCTION

The Group is engaged in the business of specialised construction mainly encompassing the services of design, production and installation of curtain walls system and associated metal works via Minmetals Condo (Shanghai) Construction Co., Ltd. ("Condo Shanghai") for the PRC market, Minmetals Condo (Hong Kong) Engineering Company Limited ("Condo Hong Kong") for the Hong Kong market and Minmetals Condo (Macau) Engineering Company Limited ("Condo Macau") for the Macau market. In 2017, the revenue derived from this operating segment showed an increase of 1.0% to HK$964.3 million (2016: HK$954.8 million) and its operating results, net of intra-group transactions, showed an operating loss of HK$123.7 million (2016: operating profit of HK$48.2 million).

Condo Hong Kong's active participation in both private development and public sector over the years has earned itself positive market recognition within the construction sector, which has led to an increase in project bidding invitation. However, as curtain wall construction companies from other regions entering into the Hong Kong market, competition has intensified. In view of the shortage of skilled labour, rising trend in direct and indirect costs, Condo Hong Kong implemented a relatively conservative bidding strategy and underwent tight risk management measures. In 2017, Condo Hong Kong has secured new tenders amounting to approximately HK$300 million with projects on hand amounting to approximately HK$552 million as at 31 December 2017. During the year of 2017, Condo Shanghai has prioritised operational risk management and secured new tenders amounting to approximately RMB462.4 million with projects on hand amounting to approximately RMB371.0 million as at 31 December 2017. The completion of MGM Cotai Project in Macau has earned positive recognition from the main contractor and the employer and thus deepening Condo Macau's market presence in Macau and neighbouring areas.

PROPERTY INVESTMENT

The Group's investment property portfolio in Hong Kong comprises two commercial office buildings, namely

China Minmetals Tower in Tsimshatsui and LKF 29 in Central, together with four residential units, all of which are located in Hong Kong with a total gross floor area of 15,826 square metres. As retail sales continued to be adversely affected in 2017, popular tourist districts including Central and Tsimshatsui have seen waves of early surrenders. Occupancy rate in the said districts have dropped to a new low level in recent years with significant downward revision in rental rate. Apart from downward revision on rental rate, the Group also followed market practice to give marketing incentive to attract potential tenants.

In 2017, in view of intensified rental market competition in Central and Tsimshatsui, the revenue from this operating segment decreased 0.8% to HK$64.0 million (2016: HK$64.5 million). As at 31 December 2017, the occupancy rate of LKF 29 was 87.4% (31 December 2016: 82.0%) while China Minmetals Tower was 95.0% occupied (31 December 2016: 97.3%).

ENTRUSTED ASSET MANAGEMENT

During the year of 2017, the Group has recorded RMB30 million in management fee income according to the entrusted management service agreement whereby China Minmetals entrusted the Company with the management of non-listed assets within its real estate development and construction division. The entrusted assets include real estate development and management projects in Beijing, Tianjin, Shenyang, Liaoning, Shandong, Qinghai, Jiangsu, Hunan and Guangdong.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

During the year of 2017, the Group's operations were financed mainly by cash flows generated internally from business operations as well as borrowings.

As at 31 December 2017, cash and bank deposits (excluding restricted cash and bank deposits) of the Group amounted to HK$5,631.9 million (2016: HK$5,431.5 million), of which 93.0%, 3.4%, 2.5% and 1.1% (2016: 89.5%, 9.1%, 0.7% and 0.7%) were denominated in Renminbi, Hong Kong dollar, United States dollar and Macau Pataca respectively.

The Group had utilised financing to supplement internal resources to finance the acquisition of new projects and the development of existing projects. Total borrowings of the Group stood at HK$14,748.2 million as at 31 December 2017 (2016: HK$11,614.4 million), which mainly comprised borrowings from banks and bond issuance. The net gearing ratio (net debt to total equity) of the Group was 62.4% (2016: 69.5%) as at 31 December 2017.

The weighted average borrowing costs of the Group maintained at a low level of around 3.81% (2016: 3.87%).

The maturity profile of the Group's borrowings is as follows:

	As at 31 December			
	2017		2016	
	HK$ million	**%**	HK$ million	%
Within one year	**3,978.2**	**27.0**	299.6	2.6
In the second year	**35.9**	**0.2**	5,902.9	50.8
In the third to fifth year	**9,765.1**	**66.2**	4,452.0	38.3
Beyond five years	**969.0**	**6.6**	959.9	8.3
Total	**14,748.2**	**100.0**	11,614.4	100.0

The currency profile of the Group's borrowings is as follows:

	As at 31 December			
	2017		2016	
	HK$ million	**%**	HK$ million	%
Renminbi	**143.5**	**1.0**	299.6	2.6
Hong Kong Dollar	**11,882.0**	**80.6**	8,618.4	74.2
United States Dollar	**2,722.7**	**18.4**	2,696.4	23.2
Total	**14,748.2**	**100.0**	11,614.4	100.0

The finance costs charged to the profit or loss for 2017 amounted to HK$114.7 million (2016: HK$55.7 million) after capitalisation of HK$539.1 million (2016: HK$407.2 million) into properties under development. The unutilised banking facilities of the Group amounted to HK$4,544.5 million (2016: HK$3,464.6 million) as at 31 December 2017.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND INTEREST RATES

Exchange Rate Risk
The Group's principal business is located in China where external financing is denominated in Hong Kong dollar and revenue is denominated in Renminbi primarily. The Group is exposed to exchange rate risk on transactions that are denominated in a currency other than Hong Kong dollar, the reporting and functional currency of the Company. The Group has been closely monitoring the fluctuation in Renminbi exchange rate and has adopted necessary measures to minimise the impact arising from adverse currency fluctuation including adjustment to the proportion of borrowings in foreign currency and utilisation of foreign exchange hedging instruments such as forward foreign exchange contracts or capped forward contracts. During the year, the Group has entered capped foreign exchange contracts with certain banks in order to hedge against exchange rate risk at an aggregate nominated sum of USD80 million.

Interest Rate Risk
The Group is also exposed to interest rate risk resulting from fluctuation in interest rates. Most of the borrowings of the Group was on a floating rate basis and therefore, an increase in interest rate would raise the Group's interest cost. In order to mitigate the interest rate risk, the Group entered into interest rate swap contracts in which the Group would receive interest of one-month HIBOR and pay monthly interest at a fixed rate based on the notional amount of HK$3.6 billion. As at 31 December 2017, approximately 42.9% (2016: 54.2%) of the Group's borrowings was on a fixed rate basis after hedging with the remainder on a floating rate basis.

As at 31 December 2017, save as disclosed above, the Group had not possessed any kind of financial instruments for hedging and speculative purposes.

CHARGES ON GROUP ASSETS

As at 31 December 2017, certain assets of the Group were pledged to secure certain banking facilities granted to the Group and mortgage loan facilities to the purchasers of the Group's properties, and these pledged assets of the Group included:

i. inventories with carrying amounts of approximately HK$6,165,669,000 (2016: Nil); and
ii. 100% equity interests in subsidiaries.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2017, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK$13,142.9 million (2016: HK$13,688.8 million). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers taken the possession of the relevant properties; or (ii) the repayment of mortgaged loans by the purchasers. Pursuant to the terms of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take the possession of the related properties upon default in mortgage payments by such purchasers. Under such circumstances, the Group is able to retain the property sales proceeds previously received from such purchasers and sell the property to recover any amounts paid by the Group to the banks. Therefore, after taking into account the creditworthiness of the purchasers, the Directors consider that no provision is required in the consolidated financial statements for the guarantees.

EMPLOYEES

The total number of staff of the Group, including the Directors, increased 5.2% to 785 as at 31 December 2017 (2016: 746). The Group will continue to adopt a remuneration policy in line with local market practice and standards. The total remuneration and benefits for the Directors and staff of the Group for the year ended 31 December 2017 were approximately HK$356.8 million (2016: HK$254.7 million).

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 29 May 2003 (the "2003 Share Option Scheme") has expired on 28 May 2013. However, share options granted under the 2003 Share Option Scheme prior to its expiration shall continue to be valid and exercisable in accordance with their terms of issue.

A new share option scheme was adopted by the Company on 7 June 2013 (the "2013 Share Option Scheme") to recognise and acknowledge eligible persons for their contribution or potential contribution to the Group. The 2013 Share Option Scheme shall remain in force for 10 years from its adoption date. Details of the 2013 Share Option Scheme will be set out in the 2018 annual report of the Company.

As at 31 December 2017, there were 3,524,665 (2016: 49,883,999) outstanding share options granted under the 2003 Share Option Scheme. No share options have yet been granted by the Company pursuant to the 2013 Share Option Scheme.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK6.0 cents (2016: HK4.0 cents) per share payable in cash to shareholders whose names appearing on the register of members of the Company on Tuesday, 12 June 2018.

The dividend cheques will be distributed to shareholders on or about Wednesday, 27 June 2018.

ANNUAL GENERAL MEETING

An annual general meeting of the shareholders of the Company is convened to be held on Thursday, 31 May 2018 (the "2018 AGM"). The notice of the 2018 AGM which forms part of the circular to shareholders of the Company will be despatched together with the 2017 annual report.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (both days inclusive), during which period no transfer of shares will be registered for the purpose of determining shareholders' entitlement to attend and vote at the 2018 AGM.

In order to qualify to attend and vote at the 2018 AGM, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 May 2018.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Friday, 8 June 2018 to Tuesday, 12 June 2018 (both days inclusive), for the purpose of determining shareholders' entitlement to the proposed final dividend.

In order to qualify for the proposed final dividend, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 7 June 2018.

CORPORATE GOVERNANCE

Corporate Governance Code

In the opinion of the Directors, throughout the year ended 31 December 2017, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviation:

1. Code provision A.4.2 requires that all directors appointed to fill a casual vacancy in listed companies be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   Instead of having elected at the first general meeting, Directors (save for the Chairman and the Managing Director) appointed by the Company to fill a casual vacancy are subject to election at the first annual general meeting after their appointment. Besides, all Directors are subject to retirement by rotation in the manner as set out in the said code provision save for the Chairman and the Managing Director of the Company where they are not required to do so pursuant to the private company act 1991 by which the Company was incorporated.

2. Code provision A.6.7 requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

   Mr. Cui Hushan, a non-executive director of the Company, was not available to attend the Company's annual general meeting and special general meeting held on 31 May 2017 due to ad hoc business commitment.

Code for Securities Transactions by Directors

The Company has established a set of guidelines as its own "Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company" (the "Rules for Securities

Transactions") on terms no less exacting than those contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries of all the Directors, they had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the year ended 31 December 2017.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has discussed with the management of the Company and the Group's auditor, Messrs. Deloitte Touche Tohmatsu, on the consolidated financial statements of the Group for the year ended 31 December 2017 and also reviewed accounting principles and practices adopted by the Group, internal control and other financial reporting matters. The consolidated financial statements of the Group for the year ended 31 December 2017 have been recommended by the audit committee of the Company to the Board for approval.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmastu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmastu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmastu on this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

BOARD OF DIRECTORS

As at the date of this announcement, the board of Directors of the Company comprises nine Directors, namely Mr. Li Fuli as the Chairman and a non-executive Director, Mr. He Jianbo as the Deputy Chairman, Managing Director and an executive Director, Ms. He Xiaoli, Mr. Liu Zeping and Mr. Yang Shangping as executive Directors, Mr. Cui Hushan as a non-executive Director, and Mr. Selwyn Mar, Ms. Tam Wai Chu, Maria and Mr. Lam Chung Lun, Billy as independent non-executive Directors.

By order of the Board
He Jianbo
Deputy Chairman and Managing Director

Hong Kong, 27 March 2018

The Company's 2017 annual report containing, inter alia, the corporate governance report, the report of the directors and the consolidated financial statements for the year ended 31 December 2017 will be published on the Company's website at www.minmetalsland.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk in due course.