



建發國際投資集團有限公司
C&D International Investment Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1908

2015
ANNUAL REPORT



CONTENTS

Page	
2	CORPORATE INFORMATION
4	CHAIRMAN'S STATEMENT
8	MANAGEMENT DISCUSSION AND ANALYSIS
16	BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
22	DIRECTORS' REPORT
37	CORPORATE GOVERNANCE REPORT
50	INDEPENDENT AUDITOR'S REPORT
52	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
53	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
55	CONSOLIDATED STATEMENT OF CASH FLOWS
57	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
58	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
123	FINANCIAL SUMMARY
124	PROPERTIES PORTFOLIO

This annual report is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

- Mr. Zhuang Yuekai (*Chairman*)
(appointed on 10 February 2015)
- Mr. Shi Zhen (*Chief Executive Officer*¹)
(appointed on 10 February 2015)
- Ms. Zhao Chengmin (*Deputy Executive Officer*²)
(appointed on 10 February 2015)
- Dr. Lee Kai Hung
(resigned on 10 February 2015)
- Ms. Chan Koon Woon
(also known as Mrs. Lee Chan Koon Woon)
(resigned on 10 February 2015)
- Dr. Lee Tse Ching, Elaine
(also known as Dr. Eick Lee Tse Ching, Elaine)
(resigned on 31 March 2015)
- Mr. Cheng Bun
(resigned on 20 March 2015)

Non-executive Directors

- Ms. Wang Xianrong³
(re-designated on 21 March 2015)
- Ms. Wu Xiaomin
(appointed on 20 March 2015)
- Mr. Huang Wenzhou
(appointed on 29 April 2015)

Independent Non-executive Directors

- Mr. Wong Chi Wai
Mr. Wong Tat Yan, Paul
Mr. Chan Chun Yee

COMPANY SECRETARY

- Mr. Kwok Sui Man (resigned from 1 July 2015)
Mr. Kwan Kei Chor (appointed on 1 July 2015)

AUDIT COMMITTEE

- Mr. Wong Chi Wai (*Chairman*)
Mr. Wong Tat Yan, Paul
Mr. Chan Chun Yee

REMUNERATION COMMITTEE

- Mr. Wong Tat Yan, Paul (*Chairman*)
Mr. Zhuang Yuekai (appointed on 16 March 2015)
Mr. Wong Chi Wai
Mr. Chan Chun Yee

NOMINATION COMMITTEE

- Mr. Zhuang Yuekai (*Chairman*)
(appointed on 16 March 2015)
Mr. Chan Chun Yee⁴
Mr. Wong Chi Wai
Mr. Wong Tat Yan, Paul

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

Bank of China

REGISTERED OFFICE

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

¹ Appointed as Chief Executive Officer on 10 February 2015 and resigned on 15 March 2016

² Appointed as Deputy Executive Officer on 20 March 2015 and resigned on 15 March 2016

³ Appointed as Executive Director on 10 February 2015 and re-designated as Non-executive Director on 21 March 2015

⁴ Ceased to be Chairman of the Nomination Committee on 16 March 2015 following the appointment of Mr. Zhuang Yuekai as Chairman of the Nomination Committee on 16 March 2015

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office No. 3517
35th Floor, Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

King & Wood Mallesons

STOCK CODE

1908

COMPANY'S WEBSITE

www.cndintl.com (the contents of which do
not form part of this report)

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of C&D International Investment Group Limited ("C&D International Group" or the "Company") for the year ended 31 December 2015 (the "Year").

I. ECONOMIC ENVIRONMENT CHANGES AND ANALYSIS

In 2015, the global economy has witnessed extensive adjustment, the economy of China also entered into a state of "New Normality" with slower economic growth, transforming economic structure and switching growth forces. On review of 2015, the real estate industry in China underwent profound changes, investment growth slowed down significantly, the market hit new highs amidst downturn, while property enterprises transformed steadily with differentiations in the industry. Facing challenges to economic growth and down side pressure, policies with positive stimulation effect were launched, and positive adjustment measures covering various aspects, such as finance and taxation, continued through to the end of 2015.

Under the backdrop of a downturn in the macro-economy, intensifying cyclical fluctuations of the market and further increase in industrial concentration, the Company laid a solid foundation for a sustainable and quality growth in future by increasing land reserves gradually, improving management standards and brand influence persistently, and pursuing active developments in asset-light operations related to upstream and downstream properties.

II. RESULTS AND DIVIDEND

During the reporting period, the Company realized revenue of RMB133.8 million, and the profit for the year attributable to the equity holders of the Company was RMB12.7 million.

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2015.

III. BUSINESS REVIEW

Summary

Since C&D Real Estate Corporation Limited (建發房地產集團有限公司) ("C&D Real Estate (建發房產)") assumed formal control over the Company, the Company's total assets have expanded from RMB962 million before acquisition to RMB1.28 billion, representing an increase of 33% year-on-year. Core net profit also decreased from RMB16.06 million in 2014 to RMB13.46 million, representing a decrease of 16% year-on-year. Core net profit margin was 1.71 times that in 2014 (increased from 5.8% in 2014 to 10.06% in 2015). In addition, C&D Real Estate also constantly expanded the scale of business of the Company and enhanced the cash flow of the Company through measures such as injection of assets, consolidation of resources, operator shareholding scheme, provision of financial assistance by the parent and instilling of corporate culture to clarify and enrich the future vision of business development for the Company with plenty of vigorous opportunities, and has entered a new track of development.

In 2015, the Company has persistently stepped up the business development, and expanded the regions and industry sectors covered by its business through land bidding, acquisition of equity interest and cooperative investment with reputable enterprises. Currently, the scope of business of the Company has covered a number of industries such as real estate development, business operation and management, construction engineering management business and information services, expansion in operation areas was also enlarged radially from Nanning, initially the only area, to areas such as Shanghai, Xiamen, Changsha, Quanzhou and Zhangzhou.

CHAIRMAN'S STATEMENT

Commercial Operation

The Company has 23,241 sq.m. of commercial rental properties in Nanning. Under the situation of traditional commercial properties being severely impacted by e-commerce, the Company steadily increased the occupancy rate through introducing professional business management talents, improving the Company's ability to attract investors and introducing merchants with market competitiveness. And through optimizing operating costs, increasing the rental collection and payment rate and improving the profitability of commercial operation, the core net profit level of commercial operations in 2015 increased significantly as compared to that before acquisition.

Real Estate Development

In 2015, the Company acquired 3 additional parcels of land by way of independent bidding, acquisition of equity interest and equity participation, representing an increase of 520,800 sq.m. in land reserve, the attributable equity portion was approximately 340,100 sq.m.

No.	Area	Project	Use	Attributable		Proportion of interest	Expected time of completion
				Total GFA ('000 sq.m.)	area ('000 sq.m.)		
1	Changsha	Shuxiangjiayuan (書香佳緣)	Commercial and residential	100.3	100.3	100%	2017
2	Quanzhou	Central Skyline (中決天成)	Commercial and residential	62.1	24.8	40%	2018
3	Zhangzhou	Green Pavillion (發現之旅)	Commercial and residential	358.4	215.0	60%	2018
Total:				520.8	340.1		

Asset-Light Operations

In 2015, the Company has actively developed asset-light operations related to upstream and downstream properties, including:

the establishment of Xiamen Zhaocheng Engineering Construction and Management Limited (廈門兆誠工程建設管理有限公司), which is committed to undertaking the business of main contractor for construction, such as large-scale public construction and urban ancillary facilities, and project management business;

CHAIRMAN'S STATEMENT

the introduction of the strategic cooperation partner, Shanghai Xiangfu Asset Management Co. Ltd (上海祥復資產管理公司), with which we established a joint venture, Shanghai Zhaoyu Asset Management Limited Company (上海兆昱資產管理有限公司), and announced its formal tapping into the business of asset management market in Shanghai, in an effort to develop the business of asset management in the area of Shanghai and to enhance the Company's ability in asset management and operation as well as its reputation within the industry;

the establishment of Xiamen Zhaohui Internet Technology Company Limited (廈門兆慧網絡科技有限公司), which is dedicated to information consultation and system construction in respect of the real estate industry and to advance the smart construction for social and household services.

IV. FUTURE DEVELOPMENT PROSPECT

On 28 December 2015, shareholders voted by way of poll to formally approve the change of company name in English to "C&D International Investment Group Limited" and adopted the Chinese name of "建發國際投資集團有限公司" for the Company, with stock short name "C&D Intl Group", at the extraordinary general meeting of South West Eco (Stock Code: 1908). C&D International Group, as an international platform of capital operations and an international window for branding display for C&D Real Estate, will be the bridge and hub for integrating onshore and offshore resources for C&D Real Estate.

In the new year, the Company will actively build up the whole industrial chain service system of real estate while performing well in its principal business of real estate and will strive to identify investment opportunities in emerging industries.

For the real estate strategic layout, the Company will continue to put efforts in the parent's original planning region to expand its radial coverage area, increase its market share and form regional economies of scale. The Company will conduct analyses on regions and cities, actively expand into tier one and tier two cities with development potential and further optimize its land bank structure. As far as product strategy is concerned, the Company will uphold the operating philosophy and development mission of "creating quality buildings and living space", which has been consistently adhered by C&D Real Estate to "accomplish more diamond lives".

For commercial operations, the Company will improve the asset occupancy rates steadily, the leasing fee income, efficiency, reduce the operating costs and improve operating cash flow continuously.

For asset-light operations, the Company will step up its efforts in investing in the relevant asset-light extended business, including: adapt to the market demand of co-working space and creative communities, etc., expand the market share of commercial operation service and increase industry reputation; expand the scale of contractor construction projects, adjust the model of contractor construction and effectively combine contractor construction with operation to improve profit margins; actively develop information consultation and system construction in respect of the real estate industry to create new smart communities. While serving its own principal business of real estate development in an all-round manner by relying on the parent's abundant customer resources, the Company will actively develop the external markets and construct the whole industrial chain service ecosystem.

For investment in emerging industries, the Company will strive to identify investment opportunities in emerging industries such as big health, smart city and environmental protection. C&D International Group will develop its emerging business through continued exploration and combination with its own advantages.

CHAIRMAN'S STATEMENT

In summary, the Company will leverage the abundant resources and mature branding strength of its parent and introduce advanced management concepts and excellent corporate culture to fully utilize the advantages of the capital platform in Hong Kong in the coming year. C&D International Group is gradually approaching the new stage of leaping development.

APPRECIATION

The continuous development of the Company's business in future will depend on the trust and support from all shareholders, investors and business partners, as well as the dedication and diligence of the entire staff, I would like to express my gratitude on behalf of the Board of Directors of the Company.

C&D International Investment Group Limited

Zhuang Yuekai

Chairman and Executive Director

Hong Kong, 21 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively the “Group”) is principally engaged in the businesses of property development, property leasing, property management and the provision of consultancy services. It is an award winning green building property developer and has many years of experience in developing and leasing properties and in managing properties in numerous locations in PRC.

The Group’s results of operation may fluctuate or vary significantly from period to period depending on, among other factors, the overall development schedule of the development project(s) undertaken by the Group and the timing of sale and delivery of such development project(s).

The Group recorded a profit attributable to the equity holders of the Company for the Year of approximately RMB12.7 million (2014: RMB24.9 million). It represented a decrease in the profit by approximately 49.1% as compared to that of the year of 2014.

Property development business

Li Yuan, a lohas residential project with a total saleable gross floor area (the “GFA”) of over 46,000 sq. m. in New & Hi-Tech Industrial Development Zone, Nanning, was aggregately sold and pre-sold for over 79% as at 31 December 2015. For the Year, approximately 7,231 sq. m. of residential units, commercial shops and car parking spaces with revenue of approximately RMB71.4 million were sold and delivered to the purchasers.

Fond England, a green residential project with a total GFA of over 150,000 sq. m. in Nanning, was aggregately sold and pre-sold for over 98% as at 31 December 2015. For the Year, approximately 2,118 sq. m. (including car parking spaces) with revenue of approximately RMB12.7 million were sold and delivered to the purchasers.

New properties development projects

From September 2015, the Group has successfully acquired land use rights at open tender and a development project by way of acquiring controlling equity interests of the project companies. There are three new properties development projects under planning and/or preliminary construction activities:

1. 長沙書香佳緣項目（原名：中央悅府）Changsha Shuxiangjiayuan (also formerly named as “Zhongyangyuefu”)
2. 泉州洛江中泱天成項目Quanzhou Zhongyangtiancheng (also named as “Central Skyline”)
3. 漳州發現之旅項目（原名：長泰新亭）Zhangzhou Green Pavillion (also formerly named as “Changtaixinting”)

The presale of first two projects will be scheduled at late 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Property leasing business

The leasing fee income from the Group's property leasing business was approximately RMB43.7 million for the Year (2014: RMB41.5 million).

The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of 31 December 2015, the Group's retail units (which were held for the purpose of leasing to independent third parties) comprised an aggregate rentable GFA of approximately 23,241 sq. m. in the PRC, of which an aggregate GFA of approximately 18,190 sq.m. in the PRC were leased out and an underground car park area of approximately 4,324 sq.m. is used as temporarily pay car park area.

Property management and consultancy business

The property management and consultancy service fee income from the Group's property management and consultancy business of approximately RMB5.0 million (2014: RMB7.5 million) and RMB1.0 million (2014: RMB0.2 million) respectively were contributed to the Group's revenue for the Year.

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by independent third party property owners or users. The Group's property management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environmental protection policies, event planning and consultancy services. These business activities are carried out under 南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Service Co., Limited*) ("Golden Yu Feng"), an indirect non-wholly owned subsidiary of the Company, which holds a valid Class 3 qualification allowing it to carry out property management of up to 200,000 sq. m. for each residential property and up to 50,000 sq. m. for each non-residential property it manages.

As of 31 December 2015, the Group derived its property management income mainly from Yu Feng Plaza (裕豐大廈), Wan Guo Plaza (萬國廣場) (formerly named as Yu Feng High Street) and International Kitchen Supplies Centre (國際廚櫃中心) in Nanning.

For the property project consultancy business, the Group will provide construction management consultancy services to Xiamen Heshan Construction and Development Limited (廈門禾山建設發展有限公司) ("Heshan Construction") in 2016. On 14 December 2015, Xiamen Zhaocheng Engineering Construction and Management Limited* (廈門兆誠工程建設管理有限公司) ("Zhaocheng Engineering"), an indirect wholly-owned subsidiary of the Company, entered into the entrusted construction agreements with Heshan Construction in respect of (i) the Fanghu Yayuan Resettlement Housing project and (ii) the Xueling Village Redevelopment Resettlement Housing project.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Since the Group mainly operates its business in the PRC and most of the assets and liabilities of the Group are denominated in RMB, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the financial performance and financial position of the Group. Accordingly, the Group has changed its presentation currency for the preparation of the financial statements from HK\$ to RMB starting from 1 January 2015. The comparative figures have been restated to conform with current year's presentation in RMB and an additional consolidated statement of financial position as at 1 January 2014 has been presented in these consolidated financial statements.

For the purpose of re-presentation of the consolidated financial statements of the Group from HK\$ to RMB, the assets and liabilities as of 1 January 2014 and 31 December 2014 are translated into RMB at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective years. Share capital, share premium and reserves are translated at the exchange rate at the date when the amount was determined (i.e. historical exchange rates).

Revenue

During the Year, the Group's revenue was derived from (i) sales of properties; (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

The following table sets forth the Group's revenue from each of these segments and as a percentage of total revenue for the financial years indicated:

	2015		2014 (Restated)	
	RMB'000	%	RMB'000	%
Sales of properties	84,124	62.9	223,622	82.0
Rental income of investment properties	43,720	32.7	41,482	15.2
Building management income	4,957	3.7	7,462	2.7
Consultancy service income	966	0.7	205	0.1
	133,767	100	272,771	100

Sales of properties decreased by about 62.4% from approximately RMB223.6 million in 2014 to approximately RMB84.1 million in 2015. Saleable GFA delivered for the financial years ended 31 December 2014 and 2015 were approximately 32,258 sq. m. and approximately 9,349 sq. m. respectively. The revenue derived from the sales of properties for the Year decreased as the decrease in saleable GFA sold and delivered in the Year.

Cost of Sales

Cost of sales decreased by about 66.2% from approximately RMB207.7 million for the year ended 31 December 2014 to approximately RMB70.3 million for the Year. This result was primarily attributable to the decrease in saleable GFA of Li Yuan sold and delivered during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately RMB65.0 million and approximately RMB63.5 million for the years ended 31 December 2014 and 2015 respectively, representing a gross profit margin of approximately 23.8% and 47.5% respectively. The overall increase in gross profit margin was mainly due to the relatively higher gross profit margin contributed by the sales of commercial shops of Li Yuan in the Year.

Other Income

Other income increased from approximately RMB1.2 million in the previous financial year to approximately RMB3.2 million for the Year. The main reason for the increase was an increase in bank interest income in the Year.

Borrowing Costs

Borrowing costs incurred for the construction projects are capitalised during the Year. Other borrowing costs are expensed when incurred.

Capitalised borrowing costs decreased from approximately RMB4.7 million for the year ended 31 December 2014 to approximately RMB2.4 million for the Year. The decrease was mainly due to the completion of construction projects.

Gain on Changes in Fair Value of Investment Properties

The gain on changes in fair value of investment properties for the Year decreased to approximately RMB2.6 million from approximately RMB17.8 million in the previous financial year. The decrease reflected the adjustments in the property value in Nanning during the Year.

Administrative Expenses

Administrative expenses decreased by about 16.4% to approximately RMB26.6 million for the Year from approximately RMB31.8 million for the year ended 31 December 2014. This was primarily due to the decrease in directors' emoluments.

Selling Expenses

Selling expenses decreased by about 14.7% to approximately RMB4.8 million for the Year from approximately RMB5.6 million for the year ended 31 December 2014, primarily due to reduction in promotion expenses incurred in the Year.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before income tax of approximately RMB35.5 million for the Year, representing a decrease of approximately 24.1% from approximately RMB46.7 million in the previous financial year.

Income Tax Expense

Income tax expense increased from approximately RMB17.3 million in the previous financial year to approximately RMB20.1 million for the Year. The increase in income tax was mainly due to an increase in land appreciation tax ("LAT") of Li Yuan during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year Attributable to the Equity Holders of the Company

The profit attributable to the equity holders of the Company decreased by about 49.1% from approximately RMB24.9 million in the previous financial year to approximately RMB12.7 million for the Year.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings, the loan from intermediate holding company and cash proceeds received in advance from the pre-sale of properties, which were used to finance its business operations and investment in construction projects. The Group's liquidity position was well-managed in the Year.

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2015, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB71.9 million (2014: RMB155.9 million) while total assets and net assets (after deducting non-controlling interests) were approximately RMB1,280.5 million (2014: RMB961.5 million) and RMB757.2 million (2014: RMB555.5 million) respectively. As at 31 December 2015, the Group's working capital amounted to approximately RMB419.1 million (2014: RMB152.8 million). As at 31 December 2015, the Group recorded net debt of approximately RMB47.3 million with net debt to equity ratio of 5.6%, while the Group did not have any net debt gearing and recorded a net cash balance of RMB85.1 million as at 31 December 2014.

As at 31 December 2015, the Group had (i) a loan facility of approximately RMB3.7 million (2014: RMB4.3 million) denominated in HK\$ and bore a floating interest rate of 3.5% (2014: 3.5%) per annum, and (ii) loan from intermediate holding company of approximately RMB115.5 million (2014: Nil) denominated in RMB and bore a 3-year floating lending rate of People's Bank of China (the "PBOC rate") per annum. The Group had no bank borrowings which was denominated in RMB (2014: RMB66.5 million). No particular trend of seasonality was observed for the Group's borrowing requirements for the Year.

The Group's gearing ratio (total borrowings divided by total equity) increased to 14.0% as at 31 December 2015 (2014: 11.5%) as the loan from intermediate holding company increased in the Year.

Of the total borrowings, approximately RMB3.7 million was repayable within one year while approximately RMB115.5 million was repayable after one year but within three years.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

Financial Guarantee Contracts

The Group had arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The balance as at 31 December 2015 was approximately RMB133.8 million (2014: RMB90.1 million). The increase was mainly attributable to an increase of the guarantees upon the real estate mortgage loan by purchasers of Li Yuan in the Year.

Capital Commitments

Capital commitments were those contracts concluded but not provided for leasehold improvements and the construction of properties under development. The capital commitment was RMB172.3 million as at 31 December 2015 (2014: Nil). The increase was attributable to the new construction projects and office renovation commenced in the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

The Group used the facilities from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by property, plant and equipment.

Capital Structure

As at 31 December 2015, the Company's issued share capital was HK\$36,000,000, divided into 360,000,000 ordinary shares of HK\$0.1 each (2014: HK\$30,000,000 divided into 300,000,000 shares of HK\$0.1 each).

Foreign Currency Exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Company's subsidiaries denominated mainly in RMB.

As at 31 December 2015, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the Year.

Contingent Liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities (2014: Nil).

Employees and Emolument Policy

As at 31 December 2015, the Group employed a total of 92 full-time employees (2014: 103 employees). Total staff costs, including Directors' emoluments, of the Group were approximately RMB16.5 million (2014: RMB20.6 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme has been adopted to attract and retain eligible employees to contribute to the Group.

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

OUTLOOK

For C&D International Group's positioning and planning, C&D International Group will also engage in light-asset extension business related to the real estate industry such as construction contractor and commercial operation management while performing its major property business in future. Moreover, C&D International Group will also actively seek for the right timing to increase investments in sectors such as properties for the elderly, cultural properties, construction of environmental protection ancillary facilities and infrastructure, and investment in other emerging industries. By leveraging the abundant resources and mature branding strength of its parent, introducing advanced management concepts and excellent corporate culture to fully utilize the advantages of the capital platform in Hong Kong, C&D International Group is gradually approaching the new stage of leaping development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the Year (2014: Nil).

USE OF PLACING PROCEEDS

During the period from the date of the GEM Listing (that is, 14 December 2012) (the "GEM Listing Date") to 31 December 2015, the net proceeds from the GEM Listing and the placement of new shares under general mandate had been applied as below (which application was in line with that stated in the prospectus of the Company dated 30 November 2012 (the "Prospectus") and the announcement of the Company dated 27 May 2015):

1. Fund raising from the GEM Listing

The net proceeds from the issue of 75,000,000 new shares (the "Placing Shares") in the Company under the placing as set out in the Prospectus were approximately HK\$25.5 million, which was based on the final placing price of HK\$0.66 per Placing Share after deducting the actual expenses relating to the GEM Listing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 31 December 2015 HK\$ million	Actual use of proceeds from the GEM Listing Date to 31 December 2015 HK\$ million
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	—
The pursuit of potential acquisition opportunities or invest in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business)	9.8	—
General working capital and other general corporate purposes of the Group	2.5	2.5
	25.5	2.5

All the unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Fund raising from the placement of new shares under general mandate

The net proceeds from the placement of 60,000,000 new shares in the Company under general mandate as set out in the announcement dated 27 May 2015 and the circular dated 17 June 2015 were approximately HK\$229.7 million, which was based on the placing price of HK\$3.86 per Placing Share after deducting the actual expenses relating to the Placement of new shares.

	Net proceeds from the placement of new shares under general mandate in 2015 HK\$ million	Actual use of net proceeds from the placement of new shares under general mandate in 2015 HK\$ million
As working capital of the Company to support for the Company's Development projects	229.7	229.7

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHUANG Yuekai (庄躍凱) (“Mr. Zhuang”)

Mr. Zhuang, aged 50, was appointed as the chairman of the Board and an executive Director of the Company on 10 February 2015. He was also appointed as a member and the chairman of the nomination committee of the Board (the “Nomination Committee”), and as a member of the remuneration committee of the Board (the “Remuneration Committee”) with effect from 16 March 2015. He graduated from Fuzhou University with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer, a registered enterprise legal adviser and a certified real estate appraiser in the PRC and is entitled to special government allowances of the State Council of the PRC. Mr. Zhuang has engaged in the real estate industry for nearly 30 years, accumulating a wealth of management experience in the industry. He is responsible for the strategic planning of C&D International Group.

Mr. Zhuang has joined Xiamen C&D Corporation Limited since July 1986 and worked in C&D Real Estate Corporation Limited for many years. He currently serves as, among others, the vice-general manager and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and the chairman of C&D Real Estate Corporation Limited.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited (of which Mr. Zhuang is a director) which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Mr. SHI Zhen (施震) (“Mr. Shi”)

Mr. Shi, aged 50, was appointed as the chief executive officer and an executive Director of the Company on 10 February 2015 and he resigned as the chief executive officer on 15 March 2016. He also serves as a director of some subsidiaries of the Group. Mr. Shi graduated from Fuzhou University with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer and a certified real estate appraiser in the PRC and has engaged in the real estate and construction industry for nearly 30 years, accumulating a wealth of management experience in the industry.

Mr. Shi has joined Xiamen C&D Corporation Limited since February 1996 and worked in C&D Real Estate Corporation Limited for many years. He currently serves as a director and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and a director and the general manager of C&D Real Estate Corporation Limited. Mr. Shi is also a director of Well Land International Limited (a controlling shareholder of the Company) and Well Honour International Limited (the holding company of Well Land International Limited).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited (a controlling shareholder of the Company).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. ZHAO Chengmin (趙呈閩) (“Ms. Zhao”)

Ms. Zhao, aged 46, was appointed as an executive Director of the Company on 10 February 2015 and is one of the authorised representatives of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). She appointed as Deputy executive officer on 20 March 2015 and resigned as Deputy executive officer on 15 March 2016. Ms. Zhao also serves as director of some subsidiaries of the Group and the legal representative of some PRC subsidiaries of the Group. She graduated from Xiamen University with a master’s degree in business administration and is a senior accountant. Ms. Zhao has engaged in financial work for more than 25 years, accumulating a wealth of financial management experience.

Ms. Zhao has joined Xiamen C&D Corporation Limited since September 1990 and worked in C&D Real Estate Corporation Limited for many years. She currently serves as, among others, a supervisor of Xiamen C&D Corporation Limited and a director and vice-general manager of C&D Real Estate Corporation Limited. Ms. Zhao worked as finance controller and vice general manager in Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited (of which Ms. Zhao is a director), a controlling shareholder of the Company.

NON EXECUTIVE DIRECTORS

Ms. WANG Xianrong (王憲榕) (“Ms. Wang”)

Ms. Wang, aged 64, was appointed as an executive Director of the Company on 10 February 2015. She graduated in 1974 from the Faculty of Economics of Xiamen University, majoring in accounting and finance. She is a senior accountant.

Ms. Wang has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years and currently serves as a director of Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited. Ms. Wang is also a director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Ms. Wang was a director of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870), and the chairperson of Xiamen C&D Corporation Limited. She was also a representative of the 11th National People’s Congress.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc.. Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms WU Xiaomin (吳小敏) (“Ms Wu”)

Ms Wu, aged 61, has been appointed as a non-executive Director since 20 March 2015. Ms Wu graduated from Shandong University in 1982 and majored in Japanese. She is a translator and senior economist.

Ms Wu has been chairwoman of Xiamen Overseas Chinese Electronic Co., Ltd. (廈門華僑電子股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600870). She has also been a delegate to the 12th People’s Congress of Fujian Province and a delegate to the 14th People’s Congress for Xiamen City. Ms Wu has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years and currently serves as chairwoman and Party Secretary of Xiamen C&D Corporation Limited and director of C&D Real Estate Corporation Limited. Ms Wu also serves as director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc. Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Mr. Huang Wenzhou (黃文洲) (“Mr. Huang”)

Mr. Huang, aged 51, graduated from MBA of Xiamen University (廈門大學) majoring in business administration. He is an accountant.

Mr. Huang has been working in Xiamen C&D Corporation Limited (廈門建發集團有限公司) and C&D Real Estate Corporation Limited (建發房地產集團有限公司) for many years. He currently serves as general manager of Xiamen C&D Corporation Limited (廈門建發集團有限公司) and director of C&D Real Estate Corporation Limited (建發房地產集團有限公司). Mr. Huang also serves as vice-chairman of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600153).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc. Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Wai (黃馳維) (“Mr. Wong”)

Mr. Wong, aged 49, has been an independent non-executive director of the Company since 23 November 2012. He is also the chairman of the audit committee of the Board (the “Audit Committee”) and a member of the Remuneration Committee and the Nomination Committee. He currently also serves as an independent non-executive director for Bonjour Holdings Limited (stock code 653), Kin Yat Holdings Limited (stock code 638), China Ludao Technology Company Limited (stock code 2023) and Arts Optical International Holdings Limited (stock code 1120), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited, China Ludao Technology Company Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of Kin Yat Holdings Limited. Mr. Wong obtained a bachelor’s degree in social science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Wong has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has over 26 years of experience in the accountancy profession. He is currently the sole proprietor of Albert Wong & Co. and a managing director of AWC (CPA) Limited, both are certified public accountants firms in Hong Kong.

Mr. Wong Tat Yan, Paul (黃達仁) (“Mr. Wong”)

Mr. Wong, aged 46, has been an independent non-executive director of the Company since 23 November 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He obtained a bachelor’s degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master’s degree in business administration from the University of Queensland in Australia in 2004. He currently also serves as an independent non-executive director for Vitop Bioenergy Holdings Limited (stock code 1178) which is listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee and remuneration committee of Vitop Bioenergy Holdings Limited. Mr. Wong is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 20 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently a partner of Paul Wong & Co., a certified public accountants firm in Hong Kong.

Mr. Chan Chun Yee (陳振宜) (“Mr. Chan”)

Mr. Chan, aged 38, has been an independent non-executive director of the Company since 23 November 2012. He is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. He obtained a bachelor’s degree in laws from the City University of Hong Kong in 1999 and a master’s degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. Mr. Chan is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong for more than ten years in general legal practice and in different areas of law. Mr. Chan has been working as a solicitor at the law firm of C.T. Chan & Co., Solicitors since 2002 and become a partner of the law firm since April 2015. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lin Weiguo (林偉國) (“Mr. Lin”)

Mr. Lin, aged 37, has been appointed as the Financial Controller of the Company since 20 March 2015 (resigned on 15 March 2016), and the Chief Operating Officer of the Company since 15 March 2016. Mr. Lin served as the general manager of Xiamen Overseas Chinese Electronic Co., Ltd. He joined the C&D Real Estate Corporation Limited in 2007 and served as the financial controller of C&D Real Estate Corporation Limited. He currently serves as the assistant general manager of C&D Real Estate Corporation Limited and as a director of Xiamen Zhaohui Network Technology Co., Ltd. (廈門兆慧網絡科技有限公司). He is responsible for the overall daily management of the Group.

Mr. Lin, with a bachelor’s degree, is a senior economist and intermediate accountant.

Mr. Zhang Yang Ching (張顏青) (“Mr. Zhang”)

Mr. Zhang, aged 37, was appointed as the internal auditor of the Company from 20 March 2015 and resigned on 15 March 2016. Mr. Zhang has engaged in financial work for approximately 14 years, accumulating a wealth of financial and auditing experience. Since he joined the Xiamen C&D Corporation Limited in October 2004, he served as the deputy departmental manager and the deputy general manager of the auditing department of Xiamen C&D Corporation Limited, the general manager of the auditing department of C&D Real Estate Corporation Limited. He was responsible for the internal audit of C&D International Group.

Mr. Zhang, has a bachelor’s degree and is a postgraduate with a master’s degree. He is certified public accountant in the PRC and a senior accountant.

Mr. Chen Xiaopeng (陳小鵬) (“Mr. Chen”)

Mr. Chen, aged 33, has been appointed as the Financial Controller of the Company from 15 March 2016. Mr. Chen has engaged in financial work for nearly 10 years, accumulating a wealth of financial management experience. Since he joined the C&D Real Estate Corporation Limited in 2010, he served as the assistant general manager of the finance department of C&D Real Estate Corporation Limited. He currently serves as the vice-general manager of the finance department of C&D Real Estate Corporation Limited. He is responsible for the overall financial and accounting work of the Group.

Mr. Chen, is a postgraduate with a master’s degree, a certified public accountant in the PRC, a certified internal auditor, a senior accountant and statistician, and is qualified to engage in the securities industry.

Mr. Cai Zhenping (蔡振平) (“Mr. Cai”)

Mr. Cai, aged 34, has been appointed as the internal auditor of the Company from 15 March 2016. Mr. Cai has engaged in financial work for nearly 13 years and in audit for more than 4 years, accumulating a wealth of financial and auditing management experience. Since he joined the C&D Real Estate Corporation Limited in April 2008, he served as the assistant general manager of the finance department of C&D Real Estate Corporation Limited, and the assistant general manager of the auditing department of C&D Real Estate Corporation Limited. He currently serves as the vice-general manager of the auditing department of C&D Real Estate Corporation Limited. He is responsible for the internal audit of the Group.

Mr. Cai, is a postgraduate with a master’s degree, and an intermediate accountant.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Kwan Kei-Chor (關基楚) (“Mr. Kwan”)

Mr. Kwan, aged 49, has been appointed as Company Secretary from 1 July 2015. He is a bachelor's degree holder in business administration awarded by the Open Learning Institute of Hong Kong (now known as the Open University of Hong Kong) in 1996, and a master's degree holder in accounting awarded by the Curtin University of Technology (now known as Curtin University) in Australia in 2004. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group as the finance manager of the Group in 2008, Mr. Kwan had worked in the fields of financing, financial reporting and company secretarial in other companies in Hong Kong. He held executive directorship in South East Group Limited (stock code: 726) from December 2002 to May 2006 and had acted as the company secretary in Smart Rich Energy Finance (Holdings) Limited (now known as G-Resources Group Limited) (stock code: 1051) from May 2007 to October 2007, the shares of both companies are listed on the Main Board of the Stock Exchange.

DIRECTORS' REPORT

The Directors are pleased to present to the Shareholders their annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 18 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on page 8 to 15 of the annual report. This discussion forms part of this "Report of the Directors".

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2015 are set out in the consolidated financial statements and their accompanying notes on pages 52 to 122 of this annual report.

DIVIDENDS

The Board does not recommend any payment of final dividend for the Year (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Friday, 6 May 2016 to Monday, 9 May 2016 (both days inclusive) during which no transfer of shares in the Company (the "Shares") may be effected. In order to qualify for attending the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 5 May 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the Year is scheduled to be held on Monday, 9 May 2016.

FINANCIAL SUMMARY

A summary of the financial results as well as the assets and liabilities of the Group for the last five financial years is set out on page 123 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

DIRECTORS' REPORT

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 27 to the consolidated financial statements and the consolidated statement of changes in equity on page 57 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately RMB676.5 million.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately RMB198.9 million may be applied for paying distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "Articles of Association") or the laws of the Cayman Islands in relation to the issue of new shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group for the Year are set out in note 16 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group did not make charitable donations (2014: RMB0.8 million).

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 2.7% and 9.2% of the Group's total revenue for the Year respectively.

During the Year, the Group's largest suppliers were general contractors. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 55.5% and 96.6% of the Group's total purchases for the Year respectively.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the Year.

DIRECTORS' REPORT

BOARD OF DIRECTORS

The Directors who were in office during the Year and up to the date of this annual report are named as follows:

Executive Directors

- Mr. Zhuang Yuekai (庄躍凱) (*Chairman*) (appointed on 10 February 2015)^{R/N}
Mr. Shi Zhen (施震) (*Chief Executive Officer*¹) (appointed on 10 February 2015)
Ms. Zhao Chengmin (趙呈閩) (*Deputy Executive Officer*²) (appointed on 10 February 2015)
Dr. Lee Kai Hung (李啟鴻) (resigned on 10 February 2015)
Ms. Chan Koon Woon (陳莞媛) (also known as Mrs. Lee Chan Koon Woon) (李陳莞媛)
(resigned on 10 February 2015)
Dr. Lee Tse Ching, Elaine (李紫清) (also known as Dr. Eick Lee Tse Ching, Elaine)
(Vice-chairman until 10 February 2015 and resigned as executive Director on 31 March 2015)
Mr. Cheng Bun (鄭鑛) (resigned on 20 March 2015)

Non-executive Directors (the "NEDs")

- Ms. Wang Xianrong
(appointed as Executive Director on 10 February 2015 and
re-designated as Non-executive Director on 21 March 2015)
Ms. Wu Xiaomin (appointed on 20 March 2015)
Mr. Huang Wenzhou (appointed on 29 April 2015)

Independent Non-executive Directors (the "INEDs")

- Mr. Wong Chi Wai (黃馳維) ^{A/R/N}
Mr. Wong Tat Yan, Paul (黃達仁) ^{A/R/N}
Mr. Chan Chun Yee (陳振宜) ^{A/R/N}

- A: Member of the Audit Committee
R: Member of the Remuneration Committee
N: Member of the Nomination Committee

- 1 Appointed as Chief Executive Officer on 10 February 2015 and resigned on 15 March 2016
2 Appointed as Deputy Executive Officer on 20 March 2015 and resigned on 15 March 2016

In accordance with Article 105 of the Articles of Association, Mr. Shi Zhen, Ms. Wang Xianrong and Mr. Wong Tat Yan, Paul will retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 21 of the annual report.

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received from each of the INEDs, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company still considered all of them to be independent.

DIRECTORS' REPORT

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 10 February 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the executive Directors is entitled to a director's emolument of HK\$1,200,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three year commencing from 10 February 2015, 20 March 2015 and 29 April 2015 respectively, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the non-executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the non-executive Directors does not receive any director's emolument but he/she may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the independent non-executive Directors or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the independent non-executive Directors is entitled to a director's emolument of HK\$120,000 per annum from 14 December 2012 and the emolument has been revised to HK\$150,000 per annum from 21 March 2015.

DIRECTORS' REPORT

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE OFFICER

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51B(1) of the Listing Rules since the publication of the 2014 annual report of the Company up to the date of this annual report are set out below:

Due to a change in control of the Company:

- (a) Dr. Lee Kai Hung resigned as an executive Director, the chairman of the Board and the chief executive officer of the Company with effect from 10 February 2015;
- (b) Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon) resigned as an executive Director with effect from 10 February 2015;
- (c) Dr. Lee Tse Ching Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) retired from her role as vice-chairman of the Board with effect from 10 February 2015 and resigned as an executive Director with effect from 31 March 2015;
- (d) Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Wang Xianrong and Ms. Zhao Chengmin were appointed as executive Directors with effect from 10 February 2015;
- (e) Mr. Shi Zhen was appointed as the chief executive officer of the Company with effect from 10 February 2015 and resigned on 15 March 2016;
- (f) Mr. Zhuang Yuekai was appointed as the chairman of the Board with effect from 10 February 2015, and was appointed as a member and the chairman of the Nomination Committee, and as a member of the Remuneration Committee with effect from 16 March 2015;
- (g) Mr. Cheng Bun resigned as executive Director with effect from 20 March 2015 and consequent to and upon his resignation, he ceased to be the compliance officer of the Company;
- (h) Ms. Zhao Chengmin was appointed as the deputy executive officer of the Company with effect from 20 March 2015 and resigned on 15 March 2016;
- (i) Ms. Wu Xiaomin was appointed as non executive Director with effect from 20 March 2015;
- (j) Ms. Wang Xianrong was re-designated as non executive Director with effect from 21 March 2015; and
- (k) Mr. Huang Wenzhou was appointed as non executive Director with effect from 29 April 2015.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE(S)' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage shareholding in issued share capital
(Note 1)			
Mr. Zhuang Yuekai	Founder of a discretionary trust	50,580,000	14.05
Mr. Shi Zhen	Founder of a discretionary trust	50,580,000	14.05
Ms. Zhao Chengmin	Founder of a discretionary trust	50,580,000	14.05

Note 1: The percentage of shareholding was calculated based on the Company's total issued share capital of 360,000,000 shares in issue as at 31 December 2015.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); (ii) required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2015, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued shares and underlying shares:

DIRECTORS' REPORT

Long positions

Name of Shareholders	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 3)
Well Land International Limited (益能國際有限公司) ("Well Land") (Note 1)	Beneficial owner	210,100,000	58.36%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour") (Note 1)	Interest of controlled corporation	210,100,000	58.36%
C & D Real Estate Corporation Limited (建發房地產集團有限公司) ("C & D Real Estate") (Note 1)	Interest of controlled corporations	210,100,000	58.36%
Xiamen C & D Inc. (廈門建發股份有限公司) (Note 1)	Interest of controlled corporations	210,100,000	58.36%
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("Xiamen C & D") (Note 1)	Interest of controlled corporations	210,100,000	58.36%
Diamond Firetail Limited ("Diamond Firetail") (Note 2)	Beneficial owner	50,580,000	14.05%
Equity Trustee Limited ("Equity Trustee") (Note 2)	Interest of controlled corporations	50,580,000	14.05%
Mr. Zhuang Yuekai (Note 2)	Founder of a discretionary trust	50,580,000	14.05%
Mr. Shi Zhen (Note 2)	Founder of a discretionary trust	50,580,000	14.05%
Ms. Zhao Chengmin (Note 2)	Founder of a discretionary trust	50,580,000	14.05%
Ms. Zhang Yunxia (Note 2)	Founder of a discretionary trust	50,580,000	14.05%
Ms. Cheng Bing (Note 2)	Founder of a discretionary trust	50,580,000	14.05%

DIRECTORS' REPORT

Notes:

- (1) These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in all the Shares in which Well Land is interested by virtue of the SFO.
- (2) These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands. Diamond Firetail is a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a wholly owned by a discretionary trust (the "Trust") whereby the beneficiaries are: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited; (b) Mr. Zhuang Yuekai, who has approximately 5.82% interests in the Trust; (c) Mr. Shi Zhen, who has approximately 3.64% interests in the Trust; and (d) Ms. Zhao Chengmin, who has approximately 2.91% interests in the Trust (subject to the reallocation of interest by the trustee pursuant to the trust deed) by virtue of the SFO. Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founder of a discretionary trust.
- (3) The percentage of shareholding was calculated based on the Company's total issued share capital of 360,000,000 shares in issue as at 31 December 2015.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as provided under the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as these connected transactions and continuing connected transactions set out on page 30 to 31, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling Shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this annual report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 32 to the consolidated financial statements, and saved as disclosed in the paragraphs headed "Connected Transaction" and "Continuing Connected Transaction" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (as appropriate) of the Company during the Year and as at 31 December 2015.

LITIGATIONS

There was no material litigations and obligations of the Group during the Year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 35 to the consolidated financial statements.

CONNECTED TRANSACTION

On 27 May 2015, the Company entered into subscription agreements with each of the Diamond Firetail Limited ("1st Subscriber") and Mr. Lin Shuien ("2nd Subscriber"), respectively (the "Share Subscription"), pursuant to which the Company has conditionally agreed to allot and issue an aggregate of 60,000,000 new Shares (the "Subscription Share") pursuant to the General Mandate and each of the 1st Subscriber and the 2nd Subscriber has conditionally agreed to subscribe for such Shares in cash on the terms and subject to the conditions set out therein. The gross proceeds from the issue of such new Shares are approximately HK\$231,600,000. The total net proceeds from the issue of new Shares would be approximately HK\$229,730,000 after deducting subsequent issue fee, professional fees and other expenses incidental to the Share Subscriptions. The Subscription Shares represent 20% of the existing issued Shares of the Company before the completion of the Share Subscriptions and approximately 16.67% of the enlarged total issued Shares immediately following the completion of the Share Subscriptions. The 1st Subscriber is a company to be transferred to and wholly owned by a trust whereby some of the beneficiaries of the trust, namely Mr. ZHUANG Yuekai, Mr. SHI Zhen and Ms. ZHAO Chengmin are connected persons of the Company due to their directorship in the Company pursuant to Chapter 14A of the Listing Rules. As a trust gives undivided interests to the trust assets, the 1st Subscriber will be deemed to be interested in the trust assets in full and therefore a connected person. Accordingly, the issue of new Shares to the 1st Subscriber pursuant to the First Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements. The 2nd Subscriber is Mr. Lin Shuien, a natural person, who is an Independent Third Party and has no other business relationship with the Group. At the extraordinary general meeting held on 6 July 2015, the proposed resolutions of issue of new Shares to the 1st Subscriber and 2nd Subscriber under the General Mandate were duly approved by Shareholders by way of poll.

On 3 November 2015, Zhao Run entered into a confirmation letter with Zhangzhou Land Bureau to confirm it successfully won a bid at the tender for the land use rights at the consideration of RMB655,400,000. On 17 November 2015, Zhao Run entered into the acquisition agreement with the Zhangzhou Land Bureau to acquire the land use rights of the Land (the "Acquisition Agreement").

DIRECTORS' REPORT

On 1 December 2015, Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司) ("Yi Yue"), an indirectly wholly-owned subsidiary of the Company, and Fujian Zhao Run Property Company Limited* (福建兆潤房地產有限公司) ("Zhao Run") entered into the Cooperation Agreement for the formation of a joint venture for a potential investment opportunity in Fujian Province, the PRC. As Zhao Run is a wholly-owned subsidiary of C&D Real Estate Co., Ltd., a controlling Shareholder of the Company, Zhao Run is a connected person to the Company (the "Connected Transaction").

On 30 December 2015 (after trading hours), the Joint Venture entered into the Supplemental Agreement with the Zhangzhou Land Bureau and Zhao Run (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the Joint Venture will acquire the Land and pay the consideration of the Land in the amount of RMB655,400,000 (of which 40% will be borne by Yi Yue and 60% will be borne by Zhao Run), as well as enjoy the rights and obligations of Zhao Run under the Acquisition Agreement. All other terms under the Acquisition Agreement shall remain in full force and effect. Please refer to the Company's announcements dated 1 December 2015, 31 December 2015 and 20 January 2016 respectively for details of the Connected Transaction. As the applicable percentage ratios for the formation of the Joint Venture for the purpose of acquiring the Land exceed 5% but are less than 25% and the consideration is more than HK\$10 million, the formation of the Joint Venture constitutes a discloseable transaction and a non-exempt connected transaction for the Company under Chapters 14 and 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 14 December 2015, Zhaocheng Engineering, an indirect wholly-owned subsidiary of the Company, entered into the entrusted construction agreements with Heshan Construction in respect of the Fanghu Yayuan Resettlement Housing (枋湖雅苑安置房) project and the Xueling Village Redevelopment Resettlement Housing (薛嶺舊村改造安置房) project, respectively, pursuant to which Zhaocheng Engineering shall provide construction management services to Heshan Construction in respect of the Fanghu Project and the Xueling Project (the "Continuing Connected Transactions"). Please refer to the Company's announcements dated 14 December 2015 and 20 January 2016 respectively for details of the Continuing Connected Transaction.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions under the Fanghu Entrusted Construction Agreement and the transactions under the Xueling Entrusted Construction Agreement should be aggregated (the "Aggregated Transaction"). As the applicable percentage ratios for the Aggregated Transaction exceed 5% but are less than 25% and the consideration is more than HK\$10 million, the Aggregated Transaction constitutes a discloseable transaction and a non-exempt connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. As such, the Aggregated Transaction is subject to reporting, announcement and independent shareholders' approval requirements.

The independent non-executive Directors of the Company have reviewed the abovementioned continuing connected transactions and confirmed that the transactions have been conducted:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") in 2012 for the purpose of providing incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group's operations. The principal terms of the Share Option Scheme are set out below:

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for ordinary shares (the "Shares") of HK\$0.10 each in the Company:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

DIRECTORS' REPORT

Maximum number of Shares under the Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of listing of the Company's shares on the Stock Exchange (that is, 36,000,000 Shares).

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company.

Maximum entitlement of each participant

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options). In addition, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates in aggregate over 0.1% of the Shares in issue or with an aggregate value, based on the closing price of the Shares at the date of each offer, in excess of HK\$5 million, in the 12-month period up to and including the date of such grant, must be approved by the Shareholders in general meeting of the Company.

Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option to be accompanied by the payment of consideration of HK\$1, being acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

DIRECTORS' REPORT

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 14 December 2012, being the adoption date of the Share Option Scheme.

No share options were granted, exercised or cancelled by the Company or lapsed under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2015.

RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by respective local social security bureau in accordance with government regulations in different jurisdictions. Please refer to note 2.19 to the consolidated financial statements for the Year for more information.

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

During the Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 37 to 49 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 8.08 of the Listing Rules (as appropriate) except for the period from 10 February 2015 to 24 March 2015.

As disclosed in the Company's announcement dated 23 December 2014, Well Land completed on 23 December 2014 the acquisition of an aggregate of 75% of the issued share capital of the Company (representing a total of 225,000,000 shares in the Company (the "Sale Shares")) (the "Acquisition") from the then controlling shareholders of the Company (namely First Beijing International Limited, Ease Gain Holdings Limited and Chosen Leader Limited) (together, the "Vendors") at the consideration of HK\$3.2668 per Sale Share and pursuant to a share purchase agreement entered into by, among others, Well Land and the Vendors on 10 December 2014.

As a result of the completion of the Acquisition and pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission, Well Land (together with parties acting in concert with it) was required to make, and had made, a mandatory unconditional general offer (the "Mandatory Cash Offer") in cash for all the issued shares in the Company (other than those already owned or agreed to be acquired by Well Land (together with parties acting in concert with it) (the "Offer Shares") at HK\$3.2668 per Offer Share.

DIRECTORS' REPORT

As disclosed in the Company's announcement dated 10 February 2015, upon the close of the Mandatory Cash Offer, 73,412,000 Shares, representing approximately 24.47% of the entire issued share capital of the Company, were held by the public (as defined in the Listing Rules).

The Company has made an application to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rule 8.08(1) (a) of the Listing Rules for a period from 10 February 2015 (being the closing date of the Mandatory Cash Offer) to 31 March 2015. The Company has been informed by Well Land, the controlling shareholder of the Company, that had disposed of 1,588,000 Shares on the open market on or around 24 March 2015. Well Land and parties acting in concert with it will be interested in 225,000,000 Shares immediately thereafter, and the balance of 75,000,000 Shares (representing 25% of the total issued share capital of the Company) will be held in the hands of the public in compliance with the minimum public float requirement under Rule 8.08(1) (a) of the Listing Rules.

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

As disclosed in the Prospectus, some lease agreements in respect of certain investment properties in the PRC held or leased by the Group, which are required to be registered under the PRC laws, were not registered or registrable.

As at 31 December 2015, there were still 3 lease agreements pending to be registered due to:

- the delay or refusal of the counter-parties to provide the necessary information to effect registration in a timely manner (one lease agreement was involved); and
- the lack of the relevant building ownership certificates (two lease agreements were involved).

The Company will keep monitoring the registration status of these lease agreements with the aim of completing their registration as early as practicable.

Property ownership certificate of Yu Feng High Street

As disclosed in the Prospectus, following the refurbishment and renovation of Wan Guo Plaza (萬國廣場) (formerly known as Yu Feng High Street), the property ownership certificate was issued on 11 May 2012 in respect of the refurbished Wan Guo Plaza and covered a GFA of 7,484 sq. m. It was later transpired that there was a shortfall in GFA of approximately 770 sq. m., which was yet to be covered under the property ownership certificate. The Group has delegated a senior management staff to keep liaising with the relevant PRC authorities and following up on the application procedure for a new property ownership certificate of Wan Guo Plaza.

As at 31 December 2015, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so as to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

DIRECTORS' REPORT

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the three INEDs, namely Mr. Wong Chi Wai (committee chairman), Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee) has reviewed the audited consolidated financial statements of the Company for the Year with the management.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2014 were audited by BDO Limited. BDO Limited has retired as auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on 28 April 2015. Following the retirement of BDO Limited, the Board has resolved, with the recommendation of the Audit Committee, to propose the appointment of Grant Thornton Hong Kong Limited as the new auditor of the Company.

The consolidated financial statements of the Company for the Year have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

Mr. Zhuang Yuekai

Chairman

Hong Kong, 21 March 2016

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the Year.

The Company is committed to fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder value through solid corporate governance.

CORPORATE GOVERNANCE PRACTICES

The Company had followed the principles of the Corporate Governance Code (the "CG Code") contained in (i) Appendix 14 to the Listing Rules during the year ended 31 December 2015 by adopting the code provisions and certain recommended best practices set out in the CG Code as its own code of corporate governance. Throughout the Year, the Company had complied with the code provisions set out in the CG Code, except for the deviation from code provision A.2.1 of the CG Code.

Chairman and the Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any Board member.

Dr. Lee Kai Hung ("Dr. Lee") acted as both the chairman and the chief executive officer of the Company up to 9 February 2015. The Board is of the view that given that Dr. Lee had been primarily responsible for leading the strategic planning and business development of the Group, the arrangement would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. In addition, Dr. Lee's involvement in the Nanning property market industry would enable the Group to tap into the latest market development. The Board considers that the arrangement was overall beneficial to the management and development of the Group's business.

Upon the completion of the mandatory unconditional cash offer (the "Mandatory Cash Offer") as disclosed in the Company's announcement dated 10 February 2015, Mr. Zhuang Yuekai and Mr. Shi Zhen were appointed as chairman and chief executive officer of the Company respectively on 10 February 2015 and the roles of chairman and chief executive officer have been separated since then.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a set of codes of conduct pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules during the year ended 31 December 2015 as its own code of conduct for dealings in securities of the Company by its Directors. The Company had made specific enquiries of all Directors and each of them confirmed that they had complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the Year.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, reviewing the Company's financial results and performance and approving its quarterly, interim and annual results; approving appointment, removal or re-appointment of the Board members upon the recommendation of the Nomination Committee; approving the remuneration package of Directors and senior management of the Company upon the recommendation of the Remuneration Committee, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance; and all other functions reserved to the Board under the Articles of Association.

The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The senior management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

During the Year, the Board comprised the following Directors and their movement:

Executive Directors

Mr. Zhuang Yuekai (Chairman) ("Mr. Zhuang") (appointed on 10 February 2015)
Mr. Shi Zhen (Chief Executive Officer¹) ("Mr. Shi") (appointed on 10 February 2015)
Ms. Wang Xianrong ("Ms. Wang") (appointed on 10 February 2015 and re-designated as non-executive directors on 21 March 2015)
Ms. Zhao Chengmin (Deputy Executive Officer²) ("Ms. Zhao") (appointed on 10 February 2015)
Dr. Lee Kai Hung (resigned on 10 February 2015)
Ms. Chan Koon Woon (resigned on 10 February 2015)
Mr. Cheng Bun (resigned on 20 March 2015)
Dr. Elaine Eick (resigned on 31 March 2015)

Non-Executive Directors (the "NEDs")

Ms. Wang Xianrong (re-designated on 21 March 2015)
Ms. Wu Xiaomin ("Ms. Wu") (appointed on 20 March 2015)
Mr. Huang Wenzhou ("Mr. Huang") (appointed on 29 April 2015)

Independent Non-Executive Directors (the "INEDs")

Mr. Wong Chi Wai
Mr. Wong Tat Yan, Paul
Mr. Chan Chun Yee.

1 Appointed as Chief Executive Officer on 10 February 2015 and resigned on 15 March 2016

2 Appointed as Deputy Executive Officer on 20 March 2015 and resigned on 15 March 2016

CORPORATE GOVERNANCE REPORT

Currently, the Board comprised the following nine Directors:

Executive Directors

Mr. Zhuang Yuekai (Chairman), Mr. Shi Zhen, Ms. Zhao Chengmin

NEDs

Ms. Wang Xianrong, Ms. Wu Xiaomin and Mr. Huang Wenzhou

INEDs

Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

Roles and responsibilities of the Directors

The executive Directors are responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to effectively exercise independent judgement on the corporate actions of the Company so as to protect shareholders' interest and overall interest of the Group.

Throughout the Year, the Company had three INEDs and at all times met the requirements of the Listing Rules (as appropriate) that the number of INEDs must represent at least one-third of the Board members and at least one of the INEDs had appropriate professional qualifications or accounting or related financial management expertise.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Confirmation of independence

Each of the INEDs has made an annual confirmation of independence by reference to Rule 3.13 of the Listing Rules for the period from 1 January 2015 up to the date of the annual report and the Board is satisfied that all the independent non-executive Directors were independent and met the guidelines of independence set out in Rule 3.10 and Rule 3.10A of the Listing Rules during the Year and up to the date of this annual report.

Directors' induction and continuing professional development

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the applicable laws, rules and regulations.

The Company has from time to time provided briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense. They have been required to provide the Company with their training records.

CORPORATE GOVERNANCE REPORT

During the Year, the then incumbent Directors had participated in continuous professional development (the "CPD") to develop and refresh their knowledge and skills by reading materials and/or attending briefings by the company secretary to the Company (the "Company Secretary") and finance manager or seminars organised by professional bodies on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director.

The individual record of each Director who received training for the Year and up to the date of this annual report is summarised as follows:

Directors	Type of CPD
Executive Directors	
Mr. Zhuang ⁽¹⁾	A
Mr. Shi ⁽¹⁾	A
Ms. Zhao ⁽¹⁾	A
Dr. Lee Kai Hung ⁽²⁾	A
Ms. Chan Koon Woon ⁽²⁾	A
Dr. Elaine Eick ⁽³⁾	A
Mr. Cheng Bun ⁽⁴⁾	A
NED	
Ms. Wang ⁽¹⁾	A
Ms. Wu ⁽⁵⁾	A
Mr. Huang ⁽⁶⁾	A
INEDs	
Mr. Wong Chi Wai	A and B
Mr. Wong Tat Yan, Paul	A and B
Mr. Chan Chun Yee	A and B

Notes:

A: attending briefings/seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates on laws, rules and regulations relating to directors' roles and functions

(1) Appointment effective from 10 February 2015

(2) Resignation effective from 10 February 2015

(3) Resignation effective from 31 March 2015

(4) Resignation effective from 20 March 2015

(5) Appointment effective from 20 March 2015

(6) Appointment effective from 29 April 2015

CORPORATE GOVERNANCE REPORT

Meetings of the Board and the Board Committees and Directors' attendance records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For additional Board meetings which require discussion and resolution of significant issues arising from the operation of or other situations concerning the Group, reasonable notice in advance is given. Before each regular Board meeting, a draft agenda is sent out to all Directors at least three days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters proposed to be put forward for consideration at the meeting are sent to all Directors three days or such other period as agreed before each Board meeting.

The Company Secretary or his delegate is responsible for keeping all minutes of the Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection. Any directors and their associates with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and will not be counted in the quorum at meetings.

Any Director may, if considered necessary or appropriate and in furtherance of his or her duties, take independent professional advice at the Company's expense. Directors get familiar with the Group's principal activities through initial induction, ongoing participation at the Board and committee meetings, and meeting with key members of the management. The Directors are encouraged to update their skills and knowledge.

During the Year, ten Board meetings and one annual general meeting and two extraordinary general meetings (the "GM and EGM") were held. Details of the attendance of the Directors are as follows:

Directors	Attendance of Board meetings	GM and EGM
Executive Directors		
Dr. Lee Kai Hung	2/2	—
Ms. Chan Koon Woon	2/2	—
Dr. Elaine Eick	3/3	—
Mr. Cheng Bun	3/3	—
Mr. Zhuang	8/8	3/3
Mr. Shi	8/8	3/3
Ms. Zhao	8/8	3/3
NED		
Ms. Wang	8/8	2/3
Ms. Wu	7/7	2/3
Mr. Huang	4/4	0/3
INEDs		
Mr. Wong Chi Wai	10/10	3/3
Mr. Wong Tat Yan, Paul	10/10	3/3
Mr. Chan Chun Yee	10/10	3/3

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a Board diversity policy with effect from 1 September 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments were and will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. Ultimate decision is made upon the merits and contribution that the selected candidates may bring to the Board.

BOARD COMMITTEES

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each Board committee were/are in line with the Listing Rules (as appropriate) and they are posted on the websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee has established its terms of reference which are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal controls of the Group.

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. Mr. Wong Chi Wai is the chairman of the Audit Committee.

The responsibilities of the Audit Committee include, among others:

- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- discussing with the external auditor the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;
- developing and implementing a policy on engaging an external auditor to supply non-audit services;
- reviewing the Company's financial statements and annual report and accounts, half-year/quarterly report before submission to the Board;
- reviewing the Company's financial controls, internal control and risk management systems;
- discussing the internal control system and the risks management system with management to ensure that management has performed its duty to have an effective internal control system;
- considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- reviewing the Group's financial and accounting policies and practices;

CORPORATE GOVERNANCE REPORT

- reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; and
- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the Year, the Audit Committee held 3 meetings to review and supervise the financial reporting process and internal control review of the Group.

It had, in conjunction with Grant Thornton Hong Kong Limited (the "External Auditor"), the external auditor of the Company, reviewed the Group's audited results for the Year and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

The Audit Committee also carried out and discharged its other duties as set out in the CG Code. These other duties included the review of the independence and objectivity of the External Auditor, the nature and scope of the audit and reporting obligations, as well as the terms of their engagement. The Audit Committee was satisfied with the findings of their above review, and the Board shared the same views of the Audit Committee.

Details of the attendance of the Audit Committee meetings during the Year are as follows:

Members	Attendance
Mr. Wong Chi Wai (<i>Chairman</i>)	3/3
Mr. Wong Tat Yan, Paul	3/3
Mr. Chan Chun Yee	3/3

At its meeting held on 21 March 2016, the Audit Committee, amongst other matters, reviewed the Group's audited consolidated financial results for the Year.

Remuneration Committee

The Remuneration Committee has adopted written terms of reference which are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are to formulate the training and compensation policies and to determine and manage the compensation of the senior management.

The Remuneration Committee consists of one executive Director, Mr. Zhuang Yuekai (appointed on 16 March 2015, also the chairman of the Board), and three independent non-executive Directors, namely Mr. Wong Tat Yan, Paul, Mr. Wong Chi Wai, and Mr. Chan Chun Yee. Mr. Wong Tat Yan, Paul is the chairman of the Remuneration Committee.

The responsibilities of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing a remuneration policy;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for the loss or termination of their office or appointment;

CORPORATE GOVERNANCE REPORT

- making recommendations to the Board on the remuneration of non-executive Directors;
- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive; and
- reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate.

During the Year, the Remuneration Committee held 3 meetings to review the Company's existing policy and structure for, and the remuneration packages of all Directors (including the terms of the executive Directors' service agreements) with reference to and/or after evaluating the relevant Directors' experience, knowledge, qualification, duties and responsibilities within the Group, the prevailing market conditions and performance, and make recommendations to the Board on the remuneration proposal for all Directors.

Details of the attendance of the Remuneration Committee meeting during the Year are as follows:

Members	Attendance
Mr. Wong Tat Yan, Paul (<i>Chairman</i>)	3/3
Mr. Zhuang Yuekai	1/1
Mr. Wong Chi Wai	3/3
Mr. Chan Chun Yee	3/3

Nomination Committee

The Nomination Committee has adopted written terms of reference which are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee are to evaluate the status of the Board, establish criteria for and assist the Board in the selection of the appointment of Directors and recommend on the Board's succession planning. The Nomination Committee consists of one executive Director, Mr. Zhuang Yuekai (appointed on 16 March 2015, also the chairman of the Board), and three independent non-executive Directors, namely Mr. Chan Chun Yee, Mr. Wong Chi Wai and Mr. Wong Tat Yan, Paul. Mr. Chan Chun Yee had been the chairman of the Nomination Committee up to 16 March 2015, and Mr. Zhuang Yuekai was appointed as the chairman of the Nomination Committee with effect from 16 March 2015. The other responsibilities of the Nomination Committee include, among others:

- reviewing and proposing the structure, size and composition of the Board;
- making recommendations to the Board regarding the responsibilities, organisation and membership of all Board committees;
- reviewing the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time, and to review the progress of achieving those objectives;
- assessing the independence of the independent non-executive Directors; and
- making recommendations to the Board on the appointment and re-appointment of Directors.

During the Year, the Nomination Committee held 3 meetings to review, based on the Board diversity policy, and make recommendation on the re-appointment of the retiring Directors for shareholders' approval at the AGM to be held on 9 May 2016.

CORPORATE GOVERNANCE REPORT

Details of the attendance of the Nomination Committee meeting during the Year are as follows:

Members	Attendance
Mr. Zhuang Yuekai (<i>Chairman</i>)	1/1
Mr. Chan Chun Yee	3/3
Mr. Wong Chi Wai	3/3
Mr. Wong Tat Yan, Paul	3/3

Corporate governance functions of the Board

The Board is responsible for performing the corporate governance functions of the Company, which are set out in the written terms of reference. The Board has reviewed this corporate governance report in discharge of its corporate governance functions and to ensure compliance with the Listing Rules.

Appointment and re-election of Directors

Mr. Zhuang, Mr. Shi and Ms. Zhao, executive Directors and Ms. Wang, non-executive Director has each entered into a service agreement with the Company for an initial term of three years commencing on 10 February 2015 (being the closing date of the Mandatory Cash Offer), which is renewable automatically for successive terms of one year commencing on the day immediately after the expiry of the then current term of his/her appointment, unless terminated in accordance with the terms of the service agreement.

Further, as announced by the Company on 16 March 2015, Ms. Wu Xiaomin (吳小敏) ("Ms. Wu") will be appointed as a non-executive Director with effect from 20 March 2015. Ms. Wu has entered into a service agreement with the Company for an initial term of three years commencing from 20 March 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of her appointment, unless terminated in accordance with the terms of the service agreement.

Moreover, as announced by the Company on 29 April 2015, Mr. Huang Wenzhou (黃文洲) ("Mr. Huang") will be appointed as a non-executive Director with effect from 29 April 2015. Ms. Wu has entered into a service agreement with the Company for an initial term of three years commencing from 29 April 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of her appointment, unless terminated in accordance with the terms of the service agreement.

Each of the INEDs has been appointed for an initial term of one year commencing on the GEM Listing Date, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term. The appointment of an INED may be terminated by the giving of three months' written notice by the Company to that INED or vice versa.

The Articles of Association provide that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

The Articles of Association also provide that any Director appointed to fill a casual vacancy on the Board or as an additional to the Board shall hold office until the next following general meeting of the Company after his/her appointment and shall then be eligible for re-election at such meeting. According to code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by the shareholders at the first general meeting after appointment.

In accordance with the Articles of Association and the CG Code, Mr. Shi, Ms. Wang and Mr. Wong Tat Yan, Paul will retire from office by rotation at the forthcoming AGM and being eligible, have offered themselves for re-election.

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for the Year are set out in note 13 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) for the Year by band is set out below:-

Remuneration band (in RMB)	Number of individuals
Nil to 840,000	3
840,001 to 1,250,000	—

INDEPENDENT AUDITOR'S REMUNERATION

During the Year, the audit fees of the external auditor of the Company for auditing the consolidated financial statements of the Group for the Year was RMB568,000. In addition, the external auditor had been engaged in providing non-audit services in relation to internal control and risk management review at a fee of approximately RMB84,000.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and were properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Grant Thornton Hong Kong Limited has stated their reporting responsibility in the independent auditor's report of the consolidated financial statements for the Year.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate and effective internal control system of the Group. The Group's internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard the Group's assets against unauthorised use and disposition, to ensure compliance with relevant legislation and regulations, and to protect the interests of the Company's shareholders.

In order to maintain a sound internal control system, the Company has established and maintained stringent internal control procedures, including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees were encouraged by the management to report promptly any potential or actual non-compliance. A professional independent consultant has been engaged to provide internal audit/control review, and an external legal adviser of the PRC has been retained to work closely with the internal legal department of the Group, which is supported by a group of senior staff and other personnel in legal and other disciplines, to ensure compliance with the relevant PRC laws and regulations by the Group. The Board considers that, as the internal legal department could have recourse to seek timely advice and assistance from the external PRC legal adviser as and when required, the current organisation structure and manpower of the internal legal department is appropriate and sufficient to serve the needs of the Group. The management of the Company has been constantly reviewing the structure of the internal legal department to ensure that sufficient resources are deployed to meet the business and operational needs of the Group (including but not limited to the employment of in-house qualified legal and other professionals) as and when required.

The internal legal department of the Group was also responsible for coordinating ongoing trainings for the staff by selecting and recommending suitable courses for the Directors, the management and other employees of the Group. Periodic review of the Company's human resources policies has also been carried out to ensure sufficient manpower for the implementation of internal control measures. The Board has regularly evaluated the internal control procedures in order to prevent or early detect any insufficiencies or deficiencies in the Company's internal control procedures.

COMPANY SECRETARY

Mr. Kwok Siu Man ("Mr. Kwok") resigned as the Company Secretary with effect from 1 July 2015. With effect from 1 July 2015, Mr. Kwan Kei Chor ("Mr. Kwan") has been appointed as the Company Secretary and one of the authorised representatives to the Stock Exchange. Mr. Kwan is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 2008, Mr. Kwan had held executive directorship in South East Group Limited (stock code: 726) from December 2002 to May 2006 and had acted as the company secretary in Smart Rich Energy Finance (Holdings) Limited (now known as G-Resources Group Limited) (stock code: 1051) from May 2007 to October 2007, the shares of both companies are listed on the Main Board of the Stock Exchange. He has received at least 15 hours of relevant professional training in the Year under the Listing Rules.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company maintains a high level of transparency in communicating with Shareholders. In order to maintain an on-going dialogue with Shareholders and institutional investors of the Company, the Company established a Shareholders' Communication Policy in May 2014 and will review it on a regular basis to ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company. The Shareholders' Communication Policy is set out below:-

- (1) Shareholders may refer to information disclosed publicly or send their enquiries to the Company's registered office or its principal place of business for the time being, for the attention of the Company Secretary. For enquiries on their shareholdings, Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Registrar, Tricor Investor Services Limited.
- (2) Shareholders may access the Company's information from its annual reports, interim reports, announcements, circulars and notices of meetings. This information and documents are available on the Company's website and published on the Stock Exchange's website. The annual reports, interim reports, circulars, and notices of general meetings (where appropriate, with proxy form) of the Company are also despatched to Shareholders.
- (3) Shareholders are encouraged to attend the annual general meeting and general meetings of the Company. Shareholders may also express their views, discuss the progress of the Company and understand the operations of the Company through the annual general meeting of the Company.
- (4) The Company will review this Policy regularly to ensure its effectiveness.
- (5) Enquiries and questions on the procedures for convening or putting forward proposals may be put to the Board by contacting either the Company Secretary through the Company's general line at (852) 2525 7922, fax at (852) 2525 7890, directly by questions at an annual general meeting or special general meeting of the Company or by post to the Company's registered office or its principal place of business for the time being. The Company has ensured that each substantially separate issue will be dealt with at general meetings by way of a separate resolution. Shareholders are informed of the procedure and their rights to demand a poll. The Company will ensure compliance with the requirements about voting by poll contained in the Listing Rules and the Articles of Association. The procedures for voting by the poll are set out in the Company's circular relating to the general meeting and will be explained during the meeting before voting on the resolutions.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting (the "EGM")

Shareholders are encouraged to attend all general meetings of the Company. According to Article 64 of the Articles of Association, Shareholders holding not less than 10% of the paid up capital of the Company can convene an EGM by depositing a requisition in writing to the Directors or the Company Secretary for the purpose of requiring the convening of the EGM. The written requisition shall be deposited to the Company's office presently located at Office no. 3517, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to send enquiries to the Board

The Group is committed to regular and proactive communication with its shareholders. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Company has complied with the Listing Rules by posting announcements, notices, quarterly reports, interim reports, annual reports and Shareholders' circulars on the respective websites of the Stock Exchange and the Company (<http://www.cndintl.com>).

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the Group, or for putting forward any proposals at a Shareholders' meeting:

Address: Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong
Telephone no.: (852) 2525 7922
Fax no.: (852) 2525 7890
Attention: The Board of Directors/The Company Secretary

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Articles of Association and the applicable legislation and regulations.

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the member himself/herself) for election as a Director at that meeting, he/she/it can deposit a written notice at either of the following addresses:

Head office and principal place of business of the Company in Hong Kong

Office No. 3517,
35th Floor,
Wu Chung House,
213 Queen's Road East,
Wanchai, Hong Kong

Hong Kong branch share registrar and transfer office of the Company

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its memorandum of association and Articles of Association. During the Year, no amendments were made to the constitutional documents of the Company.

INDEPENDENT AUDITOR'S REPORT



To the members of C&D International Investment Group Limited (incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of C&D International Investment Group Limited (the "Company") and its subsidiaries set out on pages 52 to 122, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

21 March 2016

Lin Ching Yee Daniel

Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	5	133,767	272,771
Cost of sales		(70,271)	(207,724)
Gross profit		63,496	65,047
Other income	7	3,162	1,228
Gain on changes in fair value of investment properties	16	2,600	17,770
Administrative expenses		(26,551)	(31,756)
Selling expenses		(4,752)	(5,573)
Finance costs	8	(2,485)	—
Profit before income tax	9	35,470	46,716
Income tax expense	10	(20,057)	(17,325)
Profit for the year		15,413	29,391
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		4,895	1,358
Total comprehensive income for the year		20,308	30,749
Profit for the year attributable to:			
Equity holders of the Company		12,668	24,896
Non-controlling interests		2,745	4,495
		15,413	29,391
Total comprehensive income for the year attributable to:			
Equity holders of the Company		17,563	26,254
Non-controlling interests		2,745	4,495
		20,308	30,749
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	11	3.9	8.3
– Diluted (RMB cents)	11	3.9	8.3

The notes on pages 58 to 122 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	13,138	13,776	7,604
Interests in leasehold land	15	312	323	334
Investment properties	16	679,850	677,250	662,703
Interest in an associate	17	20,000	—	—
Available-for-sale financial assets		—	—	6,335
Deferred tax assets	25	3,038	—	—
		716,338	691,349	676,976
Current assets				
Inventories of properties	19	481,919	102,104	193,665
Trade and other receivables	20	10,296	9,601	19,354
Tax recoverable		—	2,565	814
Cash and cash equivalents	21	71,925	155,909	82,201
		564,140	270,179	296,034
Current liabilities				
Trade and other payables	22	66,259	78,960	78,470
Advances received from the pre-sale of properties under development and properties held for sale		—	15,621	97,382
Amounts due to non-controlling shareholders	23	60,000	—	—
Interest-bearing borrowings	24	3,749	11,309	9,615
Income tax liabilities		15,032	11,460	7,682
		145,040	117,350	193,149
Net current assets		419,100	152,829	102,885
Total assets less current liabilities		1,135,438	844,178	779,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Non-current liabilities				
Interest-bearing borrowings	24	—	59,503	29,871
Loan from intermediate holding company	23	115,507	—	—
Deferred tax liabilities	25	170,690	167,398	159,186
		286,197	226,901	189,057
Net assets				
		849,241	617,277	590,804
EQUITY				
Share capital	26	29,135	24,321	24,321
Reserves	27	728,051	531,150	509,172
Equity attributable to the equity holders of the Company				
		757,186	555,471	533,493
Non-controlling interests		92,055	61,806	57,311
Total equity				
		849,241	617,277	590,804

SHI Zhen
Director

ZHAO Chengmin
Director

The notes on pages 58 to 122 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

Notes	2015 RMB'000	2014 RMB'000 (Restated)
Cash flows from operating activities		
Profit before income tax	35,470	46,716
Adjustments for:		
Amortisation of interests in leasehold land	11	11
Depreciation of property, plant and equipment	1,204	1,578
Gain on changes in fair value of investment properties	(2,600)	(17,770)
Loss on disposal of property, plant and equipment	76	83
Provision for impairment of trade receivables	(59)	—
Interest expense	2,485	—
Interest income	(2,938)	(1,144)
Operating profit before working capital changes	33,649	29,474
(Increase)/Decrease in inventories of properties	(377,391)	93,027
(Increase)/Decrease in trade and other receivables	(144)	10,125
(Decrease)/Increase in trade and other payables	(9,205)	781
Decrease in advances received from the pre-sale of properties under development and properties held for sale	(15,621)	(81,761)
Cash (used in)/generated from operations	(368,712)	51,646
Income tax paid	(13,691)	(7,100)
<i>Net cash (used in)/from operating activities</i>	(382,403)	44,546
Cash flows from investing activities		
Purchase of property, plant and equipment	(286)	(40)
Purchase of investment properties	—	(1,135)
Placement of structured bank deposits	(285,000)	(80,000)
Proceeds from disposal of property, plant and equipment	93	45
Proceeds from disposal of available-for-sale financial assets	—	6,335
Investment in an associate	(20,000)	—
Withdrawal of structured bank deposits	285,000	80,000
(Increase)/Decrease in restricted and pledged bank deposits	(24)	2,386
Interest received	2,938	1,144
<i>Net cash (used in)/from investing activities</i>	(17,279)	8,735

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from issuance of share capital		185,815	—
Share issuance expenses		(1,663)	—
Proceeds from new borrowings		—	70,000
Repayments of borrowings		(67,235)	(38,791)
Addition in loan from intermediate holding company		112,877	—
Capital contribution from non-controlling shareholders		30,000	—
Increase in amounts due to non-controlling shareholders		60,000	—
Dividends paid		—	(4,276)
Dividends paid to non-controlling shareholders		(2,496)	—
Interest paid		(2,246)	(4,684)
<i>Net cash from financing activities</i>		315,052	22,249
Net (decrease)/increase in cash and cash equivalents		(84,630)	75,530
Cash and cash equivalents as at 1 January		153,442	77,348
Effect of foreign exchange rates changes on cash and cash equivalents		622	564
Cash and cash equivalents as at 31 December	21	69,434	153,442

The notes on pages 58 to 122 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to the equity holders of the Company										
	Share capital	Share premium*	Statutory reserve*	Exchange reserve*	Capital reserve*	Revaluation reserve*	Proposed final dividend*	Retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014, as restated	24,321	19,607	25,993	(2,050)	21,102	2,692	4,276	437,552	533,493	57,311	590,804
Total comprehensive income for the year											
Profit for the year	—	—	—	—	—	—	—	24,896	24,896	4,495	29,391
Other comprehensive income											
– Currency translation differences	—	—	—	1,358	—	—	—	—	1,358	—	1,358
Total comprehensive income	—	—	—	1,358	—	—	—	24,896	26,254	4,495	30,749
Transactions with owners											
Dividends paid	—	—	—	—	—	—	(4,276)	—	(4,276)	—	(4,276)
Total transactions with owners	—	—	—	—	—	—	(4,276)	—	(4,276)	—	(4,276)
Balance at 31 December 2014, as restated	24,321	19,607	25,993	(692)	21,102	2,692	—	462,448	555,471	61,806	617,277
Balance at 1 January 2015, as restated	24,321	19,607	25,993	(692)	21,102	2,692	—	462,448	555,471	61,806	617,277
Total comprehensive income for the year											
Profit for the year	—	—	—	—	—	—	—	12,668	12,668	2,745	15,413
Other comprehensive income											
– Currency translation differences	—	—	—	4,895	—	—	—	—	4,895	—	4,895
Total comprehensive income	—	—	—	4,895	—	—	—	12,668	17,563	2,745	20,308
Transactions with owners											
Issue of share capital (note 26(a))	4,814	181,001	—	—	—	—	—	—	185,815	—	185,815
Share issue expenses	—	(1,663)	—	—	—	—	—	—	(1,663)	—	(1,663)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	30,000	30,000
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(2,496)	(2,496)
Total transactions with owners	4,814	179,338	—	—	—	—	—	—	184,152	27,504	211,656
Balance at 31 December 2015	29,135	198,945	25,993	4,203	21,102	2,692	—	475,116	757,186	92,055	849,241

* These reserve accounts comprise the Group's reserves of RMB728,051,000 (2014: RMB531,150,000) in the consolidated statement of financial position.

The notes on pages 58 to 122 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

C&D International Investment Group Limited (the "Company", formerly known as South West Eco Development Limited) was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under Companies Law, Cap 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The listing of the Company's shares has been transferred to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 May 2014 after their initial listing on the Growth Enterprise Market ("GEM") of the Stock Exchange.

The name of the Company was changed from South West Eco Development Limited to C&D International Investment Group Limited. This change of name was approved by shareholders at the Extraordinary General Meeting held on 28 December 2015 and became effective on 1 March 2016.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

As disclosed in the announcement of the Company dated 14 December 2014, pursuant to the conditional agreement in relation to the sale and purchase of shares in the Company between Well Land International Limited ("Well Land") and the then controlling shareholders of the Company (i.e. First Beijing International Limited, Ease Gain Holdings Limited and Chosen Leader Limited), Well Land agreed to acquire 225,000,000 shares, representing 75% of the entire issued share capital of the Company at a cash consideration of HK\$735,030,000 (equivalent to RMB588,966,000).

Well Land was incorporated in the British Virgin Islands ("BVI") with limited liability on 27 May 2014, and it is an indirect wholly owned subsidiary of Xiamen C&D Inc., a Shanghai-listed company which is a subsidiary of Xiamen C&D Corporation Limited. Following the completion of the transaction on 23 December 2014, Well Land and Xiamen C&D Corporation Limited became the Company's immediate and ultimate holding companies respectively.

Since the Group mainly operates its business in the People's Republic of China ("PRC") and most of the assets and liabilities of the Group are denominated in Renminbi ("RMB"), the directors of the Company consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the financial performance and financial position of the Group. Accordingly, the Group has changed its presentation currency for the preparation of the financial statements from Hong Kong dollars ("HK\$") to RMB starting from 1 January 2015. The comparative figures have been restated to conform with current year's presentation in RMB and an additional consolidated statement of financial position as at 1 January 2014 has been presented in these consolidated financial statements.

For the purpose of re-presentation of the consolidated financial statements of the Group from HK\$ to RMB, the assets and liabilities as of 1 January 2014 and 31 December 2014 are translated into RMB at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective years. Share capital, share premium and reserves are translated at the exchange rate at the date when the amount was determined (i.e. historical exchange rates).

The consolidated financial statements for the year ended 31 December 2015 were approved for issue by the board of directors on 21 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 52 to 122 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The financial statements also comply with the disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The amendments to the Listing Rules relating to financial information with reference to the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information in these consolidated financial statements.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.2 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). 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 initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Subsidiaries

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

In the Company's statement of financial position, interests in subsidiaries are recorded at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the profit and total comprehensive income respectively for the year between non-controlling interests and the equity holders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale).

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currency of the Company is Hong Kong dollars (HK\$). The Company's primary subsidiaries were incorporated in PRC and these subsidiaries consider RMB as their functional currency. In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.6 Property, plant and equipment

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

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the lease terms
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 1/3%
Plant and machinery	9 to 20%
Motor vehicles	4 to 20%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.6 Property, plant and equipment *(Continued)*

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profits on the disposal of land and building.

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. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.7 Interests in leasehold land

Interests in leasehold land represent upfront payments made to acquire land held under an operating lease. They are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.14. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.8 Investment properties

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

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless its fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories of properties, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.9 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below. Financial assets are classified as loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.9 Financial assets *(Continued)*

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.9 Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment losses of financial assets other than trade and other receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and other receivables is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.10 Inventories of properties

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The costs of inventories of properties consist of land held under operating lease, development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimated cost to completion and estimated selling expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Financial liabilities

The Group's financial liabilities include trade and other payables, loans from intermediate holding company, amounts due to non-controlling shareholders and interest-bearing borrowings. They are separately shown on the face of the consolidated statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.20).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.12 Financial liabilities *(Continued)*

Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to non-controlling shareholders and loan from intermediate holding company, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.13 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e., the amount initially recognised less accumulated amortisation, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.14 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.8); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 2.6). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

For property interest in land included in properties under development and properties held for sale, the amortisation of prepaid land lease is capitalised as part of the building cost during the development period but charged to profit or loss for completed properties sold. Other amortisation of prepaid land lease is expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.14 Leases *(Continued)*

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.15 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.16 Share capital and share premium

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuance of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised upon the properties have been delivered to the purchasers and collectability of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under advances received from the pre-sale of properties under development and properties held for sale.

Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

Building management income and consultancy service income are recognised in the accounting period when the respective services are rendered.

Interest income is recognised on an accrual basis using the effective interest method.

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

2.18 Impairment of non-financial assets

Property, plant and equipment, interests in leasehold land, interest in an associate and interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.19 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the group entities incorporated in Hong Kong manages a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

Short-term employee benefits

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 reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.21 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless 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.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.21 Accounting for income tax *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker i.e. the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. All inter-segment transfers, if any, are carried out at arm's length prices. The following summary describes the operations in each of the Group's reportable segments:

Property leasing	— Leasing of commercial units, residential units and commercial shops;
Property development	— Construction and sales of residential units, commercial shops and car parking spaces;
Building management services	— Rendering of building management services; and
Advisory and consultancy services	— Rendering of advisory and consultancy services.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except for corporate income and expenses (including income tax expense) which are not directly attributable to the business activities of any operating segment and are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except for deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.22 Segment reporting *(Continued)*

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include taxation liabilities and deferred tax liabilities, which are not directly attributable to the business activities of any operating segment.

2.23 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group and the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2015

In the current year, the Group has applied all of the amendments to HKFRSs issued by HKICPA that are relevant to its operations and effective for annual period beginning on or after 1 January 2015. The adoption of the new amendments has no material effect on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

The Group has not early adopted the following new or amended HKFRSs which have been issued and are relevant to the Group's consolidated financial statements but are not yet effective for the current accounting period:

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ¹
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective dates of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

HKFRS 9 (2014) "Financial Instruments"

The release of HKFRS 9 "Financial Instruments" (2014) represents the completion of the project to replace HKAS 39. The new standard introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. HKFRS 9 also provides new guidance on the application of hedge accounting.

The directors have started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage, the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables (see note 20) to reflect changes in credit risk since initial recognition.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors have started to assess the impact of HKFRS 15 but are not yet in a position to provide quantified information.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions.

The fair value measurement of investment properties utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: observable inputs other than quoted prices included within Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

Fair value measurement of investment properties (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

As at 31 December 2015, the fair value of investment properties was RMB679,850,000 (2014: RMB677,250,000). For more detail information in relation to the fair value measurement of the investment properties, please refer to note 16.

Estimated net realisable value of inventories of properties

Management reviews the net realisable value of inventories of properties at the end of each reporting period. The net realisable value is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management determines the net realisable value of inventories of properties by using prevailing market data such as most recent sale transactions and market survey reports available from independent professional valuers and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions.

As at 31 December 2015, the carrying amount of the inventories of properties was RMB481,919,000 (2014: RMB102,104,000) (note 19).

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.17. The assessment of when an entity has transferred the significant risks and rewards of ownership to purchasers requires the examination of the circumstances of the transactions. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales is appropriate and is the current practice in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

Income tax and deferred taxation

As detailed in note 10, the Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

As at 31 December 2015, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB3,038,000 (2014: nil) and RMB170,690,000 (2014: RMB167,398,000), respectively (note 25).

PRC land appreciation tax

As detailed in note 10, the Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

4.2 Critical judgments in applying the entity's accounting policies

Control over Quanzhou Zhaoyue Property Co., Ltd. (泉州兆悦置業有限公司, "Quanzhou Zhaoyue")

Although the Group only holds 40% ownership interest in Quanzhou Zhaoyue Property Company Limited ("Quanzhou Zhaoyue"), it has the power to appoint and remove the majority member of the board of directors of that company and holds more than half of the voting rights by virtue of an agreement with other investors. The management of the Group concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Quanzhou Zhaoyue and therefore has control over Quanzhou Zhaoyue. As a result, Quanzhou Zhaoyue is classified as a subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. REVENUE

Revenue from the Group's principal activities recognised during the year is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Building management income	4,957	7,462
Consultancy service income	966	205
Rental income of investment properties (note)	43,720	41,482
Sales of properties	84,124	223,622
	133,767	272,771

Note: The Group has contingent rental income of investment properties of approximately RMB1,855,000 (2014: RMB2,092,000) for the year ended 31 December 2015. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four business lines as operating segments as further described in note 2.22.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-maker for assessment of segment performance.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	Property leasing RMB'000	Property development RMB'000	Building management services RMB'000	Advisory and consultancy services RMB'000	Total RMB'000
Year ended 31 December 2015					
Reportable segment revenue	46,672	84,124	4,957	1,615	137,368
Reportable segment profit	24,666	11,811	2,098	306	38,881
Other segment information:					
Interest income	935	975	164	55	2,129
Amortisation of interests in leasehold land	11	—	—	—	11
Gain on changes in fair value of investment properties	2,600	—	—	—	2,600
Income tax expense	2,298	8,099	—	—	10,397
Depreciation of property, plant and equipment	389	418	29	10	846
Year ended 31 December 2014 (Restated)					
Reportable segment revenue	41,798	223,623	7,552	1,432	274,405
Reportable segment profit	27,406	21,432	140	18	48,996
Other segment information:					
Interest income	227	575	9	2	813
Amortisation of interests in leasehold land	11	—	—	—	11
Gain on changes in fair value of investment properties	17,770	—	—	—	17,770
Income tax expense	7,142	424	—	—	7,566
Depreciation of property, plant and equipment	836	565	66	2	1,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

	Property leasing RMB'000	Property development RMB'000	Building management services RMB'000	Advisory and consultancy services RMB'000	Total RMB'000
As at 31 December 2015					
Reportable segment assets	695,229	559,090	3,782	1,416	1,259,517
Reportable segment liabilities	(182,288)	(212,122)	(4,041)	(1,286)	(399,737)
Other segment information:					
Additions to non-current assets	106	87	—	—	193
Investment in an associate	—	20,000	—	—	20,000
As at 31 December 2014 (Restated)					
Reportable segment assets	701,021	228,899	4,096	437	934,453
Reportable segment liabilities	(215,122)	(93,750)	(3,402)	(69)	(312,343)
Other segment information:					
Additions to non-current assets	4,433	8	—	—	4,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Reportable segment revenue	137,368	274,405
Inter-segment revenue elimination	(3,601)	(1,634)
Consolidated revenue	133,767	272,771
Reportable segment profit	38,881	48,996
Unallocated income and expenses	(13,808)	(9,845)
Unallocated income tax expense	(9,660)	(9,760)
Consolidated profit for the year	15,413	29,391
Reportable segment assets	1,259,517	934,453
Unallocated corporate assets	20,961	27,075
Total consolidated assets	1,280,478	961,528
Reportable segment liabilities	(399,737)	(312,343)
Unallocated taxation liabilities	(9,790)	(11,460)
Unallocated withholding tax liabilities	(14,633)	(14,633)
Unallocated corporate liabilities	(7,077)	(5,815)
Total consolidated liabilities	(431,237)	(344,251)

Segment assets consist primarily of property, plant and equipment, investment properties, interests in leasehold land, interest in an associate, inventories of properties, trade and other receivables and cash and cash equivalents.

Segment liabilities consist primarily of advances received from the pre-sale of properties under development and properties held for sale, trade and other payables, loan from intermediate holding company, amounts due to non-controlling shareholders, interest-bearing borrowings and deferred tax liabilities.

As chief operating decision-maker of the Group considers most of the Group's revenue and results are attributable to the market in the PRC, the Group's assets are substantially located inside the PRC, no geographical information is presented.

For the years ended 31 December 2015 and 2014, the Group did not depend on any single customer under each of the segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. OTHER INCOME

	2015 RMB'000	2014 RMB'000 (Restated)
Bank interest income		
– from bank deposits	1,095	706
– from structured bank deposits	1,843	438
Sundry income	224	84
	3,162	1,228

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000 (Restated)
Interest charges on:		
Bank borrowings wholly repayable within five years	141	163
Bank borrowings not wholly repayable within five years	2,105	4,521
Loan from intermediate holding company	2,630	—
Total borrowing costs	4,876	4,684
Less: interest capitalised	(2,391)	(4,684)
	2,485	—

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. The interest charges on bank borrowings which contain a repayment on demand clause amounted to approximately RMB141,000 (2014: RMB163,000) for the year ended 31 December 2015.

The weighted average capitalisation rate of general borrowings was 2.87% (2014: 3.52%) per annum for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2015 RMB'000	2014 RMB'000 (Restated)
Amortisation of interests in leasehold land	11	11
Auditors' remuneration	568	839
Cost of properties sold	49,461	176,390
Depreciation of property, plant and equipment	1,204	1,578
Donation	—	816
Loss on disposal of property, plant and equipment	76	83
Provision for doubtful trade receivables	69	—
Net foreign exchange loss	5,010	1,139
Operating lease charges	4,012	4,303
Outgoings in respect of investment properties that generated rental income	4,490	4,353

10. INCOME TAX EXPENSE

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Current income tax			
PRC corporate income tax			
– Current year		11,034	7,912
– Over provision in respect of prior years		(1,374)	—
		9,660	7,912
PRC land appreciation tax		10,168	1,215
		19,828	9,127
Deferred tax	25		
PRC corporate income tax		2,183	5,912
PRC land appreciation tax		(1,954)	438
PRC withholding income tax		—	1,848
		229	8,198
Total income tax expense		20,057	17,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Profit before income tax	35,470	46,716
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	10,063	12,545
Tax effect of non-deductible expenses	2,691	865
LAT deductible for calculation of income tax	(590)	(742)
LAT charges	10,168	1,653
Effect of withholding income tax at 10% on distributable profits of the Group's PRC subsidiaries	—	1,848
Over provision in respect of prior years	(1,374)	—
Others	(901)	1,156
Income tax expense	20,057	17,325

Note:

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the year (2014: nil).

(b) PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, the deferred tax assets and liabilities of the Group's subsidiaries operated in the PRC are calculated based on corporate income tax rate of 25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. INCOME TAX EXPENSE (Continued)

Note: (Continued)

(c) PRC land appreciation tax ("LAT")

Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, Nanning WTS Real Estate Development and Investment Company Limited (南寧威特斯房地產開發投資有限公司, "WTS Real Estate") is subject to LAT and the LAT is calculated at 5% to 7% (2014: 5% to 7%) of its sales of properties in accordance with the authorised taxation method.

(d) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2015 of approximately RMB12,668,000 (2014: RMB24,896,000), and the weighted average number of ordinary shares of 328,274,000 (2014: 300,000,000) in issue during the year.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the reporting years.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 RMB'000	2014 RMB'000 (Restated)
Wages and salaries	12,350	16,850
Retirement scheme contributions	2,108	2,322
Other benefits	2,031	1,440
	16,489	20,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Note	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended					
31 December 2015					
Executive directors:					
Mr. Zhuang Yuekai	(i)	866	—	—	866
Mr. Shi Zhen#	(i)	866	—	—	866
Ms. Zhao Chengmin	(i)	866	—	—	866
Mrs. Lee Chan Koon Woon	(iv)	—	301	—	301
Dr. Lee Kai Hung#	(iv)	—	300	—	300
Dr. Eick Lee Tse Ching, Elaine	(v)	—	214	4	218
Mr. Cheng Bun	(vi)	—	448	11	459
		2,598	1,263	15	3,876
Non-executive directors:					
Ms. Wang Xianrong	(vii)	—	—	—	—
Ms. Wu Xiaomin	(ii)	—	—	—	—
Mr. Huang Wenzhou	(iii)	—	—	—	—
Mr. Wong Chi Wai*		116	—	—	116
Mr. Wong Tat Yan, Paul*		116	—	—	116
Mr. Chan Chun Yee*		116	—	—	116
		348	—	—	348
Total emoluments		2,946	1,263	15	4,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Note	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended					
31 December 2014					
(Restated)					
Executive directors:					
Mrs. Lee Chan Koon Woon	(iv)	—	3,608	—	3,608
Dr. Lee Kai Hung#	(iv)	—	3,608	—	3,608
Dr. Eick Lee Tse Ching, Elaine	(v)	—	841	14	855
Mr. Cheng Bun	(vi)	—	737	14	751
		—	8,794	28	8,822
Non-executive directors:					
Mr. Wong Chi Wai*		96	—	—	96
Mr. Wong Tat Yan, Paul*		96	—	—	96
Mr. Chan Chun Yee*		96	—	—	96
		288	—	—	288
Total emoluments		288	8,794	28	9,110

Chief Executive Officer

* Independent non-executive directors

Note:

(i) Appointed on 10 February 2015.

(ii) Appointed on 20 March 2015.

(iii) Appointed on 29 April 2015.

(iv) Resigned on 10 February 2015.

(v) Resigned on 31 March 2015.

(vi) Resigned on 20 March 2015.

(vii) Appointed as executive director on 10 February 2015 and re-designated as non-executive director on 21 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group include four (2014: four) directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining one (2014: one) individual were as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Salaries and benefits in kind	535	477
Retirement scheme contributions	15	13
	550	490

The above emoluments were within following bands:

	No. of individuals	
	2015	2014
Emolument bands		
Nil to HK\$1,000,000	1	1

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the year (2014: nil).

(c) Senior management personnel

The emoluments paid or payable to members of senior management were within following bands:

	No. of individuals	
	2015	2014
Emolument bands		
Nil to HK\$1,000,000	9	10
HK\$1,000,001 – HK\$1,500,000	3	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2014						
(Restated)						
Cost	4,963	5,576	4,242	1,167	4,621	20,569
Accumulated depreciation	(1,992)	(3,994)	(3,129)	(658)	(3,192)	(12,965)
Net book amount	2,971	1,582	1,113	509	1,429	7,604
Year ended						
31 December 2014						
(Restated)						
Opening net book amount	2,971	1,582	1,113	509	1,429	7,604
Additions	—	—	29	11	—	40
Transfer from investment properties (note 16)	7,813	—	—	—	—	7,813
Disposals	—	(8)	(54)	(66)	—	(128)
Depreciation	(141)	(647)	(409)	(147)	(282)	(1,626)
Exchange differences	70	1	1	1	—	73
Closing net book amount	10,713	928	680	308	1,147	13,776
At 31 December 2014 and 1 January 2015						
(Restated)						
Cost	12,871	5,569	4,114	1,091	4,621	28,266
Accumulated depreciation	(2,158)	(4,641)	(3,434)	(783)	(3,474)	(14,490)
Net book amount	10,713	928	680	308	1,147	13,776
Year ended						
31 December 2015						
Opening net book amount	10,713	928	680	308	1,147	13,776
Additions	—	—	229	57	—	286
Disposals	—	(21)	(1)	—	(147)	(169)
Depreciation	(338)	(258)	(395)	(38)	(208)	(1,237)
Exchange differences	476	1	5	—	—	482
Closing net book amount	10,851	650	518	327	792	13,138
At 31 December 2015						
Cost	13,408	5,534	4,342	1,148	3,317	27,749
Accumulated depreciation	(2,557)	(4,884)	(3,824)	(821)	(2,525)	(14,611)
Net book amount	10,851	650	518	327	792	13,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the net book amounts of leasehold land and buildings according to lease periods are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
In PRC:		
Leases of between 10 to 50 years	33	33
In Hong Kong:		
Leases of between 10 to 50 years	10,818	10,680

The bank borrowings are secured by property, plant and equipment with a net book amount of approximately RMB10,818,000 (2014: RMB10,713,000) as at 31 December 2015 (note 24).

Depreciation charges have been included in:

	2015 RMB'000	2014 RMB'000 (Restated)
Consolidated statement of financial position		
– Capitalised in inventories of properties	33	48
Consolidated statement of comprehensive income		
– Cost of sales	143	525
– Selling expenses	24	24
– Administrative expenses	1,037	1,029
	1,204	1,578
	1,237	1,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. INTERESTS IN LEASEHOLD LAND

The interests in leasehold land represented prepaid operating payments and the movements in the net carrying amounts are analysed as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Opening net carrying amount	323	334
Amortisation	(11)	(11)
Closing net carrying amount	312	323

The analysis of the net carrying amounts of interests in leasehold land according to lease periods are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
In PRC: Leases of between 10 to 50 years	312	323

As at 31 December 2014, the bank borrowings were secured by interests in leasehold land with a carrying amount of approximately RMB323,000 (note 24). Such securities were released during the year ended 31 December 2015.

16. INVESTMENT PROPERTIES

Movements of the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Carrying amount at 1 January	677,250	662,703
Change in fair value of investment properties	2,600	17,770
Additions		
– acquisitions and subsequent expenditures	—	1,135
– interest capitalised	—	3,266
Transfer to property, plant and equipment (note 14)	—	(7,813)
Exchange differences	—	189
Carrying amount at 31 December	679,850	677,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES (Continued)

The carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates were approximately RMB2,800,000 (2014: RMB2,800,000). As at 31 December 2014, the Group had not obtained the land use rights certificates and building ownership certificates of these properties, for which the application were in progress. The fair values of these properties were estimated assuming the Group had valid land use rights certificates and building ownership certificates of these properties and all land premium and related fees for the grant of certificates had been fully settled. The land premium and related fees for the grant of certificates were not significant. During the year ended 31 December 2015, the Group obtained the building ownership certificates of these properties whereas the application for the land use rights certificates were still in progress.

The Group had rented out and received rental income from these properties during the years ended 31 December 2015 and 2014. As advised by the Company's PRC legal advisor, the Group had significant risks and rewards of ownership of these properties and was entitled to use and lease these properties notwithstanding the absence of title certificates. Further, subject to the Group complying with applicable PRC laws and regulations, there was no legal impediment for the Group to obtain the title certificates for these properties. As such, the control, significant risks and rewards of ownership of these properties were vested with the Group and the Group had recognised these properties as investment properties.

As at 31 December 2014, the bank borrowings were secured by investment properties with a carrying amount of approximately RMB320,550,000 (note 24). Such securities were released during the year ended 31 December 2015.

The analysis of the net carrying amounts of investment properties according to lease periods are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
In PRC:		
Leases of between 10 to 50 years	679,850	677,250

During the year ended 31 December 2014, the Group did not renew the lease to related company in respect of a parcel of office premise, which is used for self-occupation and administrative purpose, and this portion has been reclassified to property, plant and equipment (note 14). The fair value of the property was approximately RMB7,813,000 immediately before the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES *(Continued)*

Valuation process and methodologies

Investment properties were valued at 31 December 2015 and 2014 by independent, professional qualified valuers, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who has the relevant experience in the location and category of properties being valued. DTZ have used direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There was no change to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

Fair value hierarchy

Fair value adjustment of investment properties is recognised in the line item "Gain on changes in fair value of investment properties" on the face of the consolidated statement of comprehensive income.

The following table shows the Group's investment properties measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

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

	Fair value measurements categorised into			Fair value RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurement				
At 31 December 2015				
Investment properties	—	—	679,850	679,850
At 31 December 2014 (Restated)				
Investment properties	—	—	677,250	677,250

There were no transfers into or out of Level 3 during the year. The Group's policy is to recognise transfers between levels of fair value hierarchy in the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

	Valuation techniques	Significant unobservable inputs	Range As at 31 December 2015	2014
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc (RMB/sq.m.)	35 - 1,150	33 - 1,150
		Capitalisation rate of reversionary income	3.50% - 7.50%	3.50% - 7.50%

Relationships of unobservable inputs to fair value are as follows:

- The higher the prevailing rents, the higher the fair value.
- The higher the capitalisation rate, the lower the fair value.

Gains on changes in fair value of investment properties of RMB2,600,000 (2014: RMB17,770,000) recognised in profit or loss and presented on the face of the consolidated statement of comprehensive income arise from the investment properties held at the end of the reporting period.

17. INTEREST IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000 (Restated)
Unlisted shares, at cost	20,000	—
Share of results of an associate	—	—
	20,000	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the Group's unlisted associate at 31 December 2015 are as follows:

Name of associate	Form of business structure	Country/place of incorporation	Particulars of issued and paid up capital	% of interest held	Principal activities and place of operation
Fujian Zhaohé Real Estate Co., Ltd. (福建兆和房地產有限公司, "Fujian Zhaohé")	Corporation	PRC	RMB50,000,000	40%	Property development, PRC

Fujian Zhaohé was incorporated by the Group and a wholly-owned subsidiary of the Company's intermediate holding company on 1 December 2015 and engaged in property development. The Group has subscribed 40% of the registered share capital of Fujian Zhaohé for cash consideration of RMB20,000,000 during the year ended 31 December 2015. The Group has not recognized share of losses of associate amounted to RMB13,000 as at 31 December 2015.

The Group's share of results of Fujian Zhaohé, and its assets and liabilities, are as below:

	Period from 1 December 2015 (date of incorporation) to 31 December 2015 RMB'000
Non-current assets	11
Current assets	657,113
Current liabilities	(607,157)
Net assets	49,967
Revenue	—
Loss and total comprehensive expense for the period	(33)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. INTEREST IN AN ASSOCIATE *(Continued)*

A reconciliation of the above summarised financial information to the carrying amount of the investment in Fujian Zhaohe is set out below:

	Period from 1 December 2015 (date of incorporation) to 31 December 2015 RMB'000
Total net assets of the associate	49,967
Portion of ownership interests held by Group	40%
Group's aggregate share of net assets of the associate	19,987
Share of loss not taken up by the Group during the period	13
Carrying amount of the investment in an associate in the consolidated financial statements	20,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2015, were as follows:

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
Interests held directly					
Global Touch Holdings Limited	Corporation	BVI 8 November 2010	10,000 ordinary shares of US\$1.00 each	100% (2014: 100%)	Investment holding, Hong Kong
Interests held indirectly					
Leepark Holdings Limited	Corporation	Hong Kong 5 June 2006	Ordinary shares of HK\$1,000,000	100% (2014: 100%)	Investment holding, Hong Kong
New Merit Holdings Limited	Corporation	BVI 25 November 2009	Ordinary shares of US\$1.00 each	100% (2014: 100%)	Investment holding, Hong Kong
Ruby Properties Limited	Corporation	Hong Kong 19 October 2009	Ordinary shares of HK\$200	100% (2014: 100%)	Investment holding, Hong Kong
Leepark (Netherlands) Limited	Corporation	Hong Kong 27 May 2006	Ordinary shares of HK\$10,000	100% (2014: 100%)	Investment holding, Hong Kong
Guangxi Nanning Leepark Business Service Company Limited (廣西南寧利柏商務服務有限公司) *	Corporation	PRC 29 September 2003	RMB800,000	100% (2014: 100%)	Investment holding, PRC
Guangxi Nanning Baiyi Commercial Company Limited (廣西南寧百益商貿有限公司, "Nanning Bai Yi") *	Corporation	PRC 9 September 1997	RMB23,408,000	87.52% (2014: 87.52%)	Property leasing and property development, PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. SUBSIDIARIES (Continued)

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
Interests held indirectly					
Nanning Golden Yu Feng Property Services Company Limited (南寧金裕豐物業服務有限公司) *	Corporation	PRC 4 August 2003	RMB3,000,000	98.77% (2014: 98.77%)	Property management, property consultancy and property leasing, PRC
Nanning Yu Feng Real Estate Development Company Limited (南寧裕豐房地產開發有限公司) *	Corporation	PRC 27 July 1993	RMB33,544,000	93.84% (2014: 93.84%)	Property leasing, PRC
WTS Real Estate	Corporation	PRC 3 August 2001	RMB10,000,000	93.84% (2014: 93.84%)	Property development, PRC
Xiamen Yiyue Property Co., Ltd. (廈門益悅置業有限公司) *	Corporation	PRC 18 May 2015	RMB10,000,000	100% (2014: nil)	Property investment and development business, PRC
Xiamen Zhaocheng Engineering Construction and Management Co., Ltd. (廈門兆誠工程建設管理有限公司) *	Corporation	PRC 11 November 2015	RMB5,000,000	100% (2014: nil)	Project construction and management, PRC
Changsha Zhaoyue Real Estate Co., Ltd. (長沙兆悅房地產有限公司) *	Corporation	PRC 7 September 2015	RMB50,000,000	100% (2014: nil)	Property development, PRC
Shanghai Zhaoyu Asset Management Co., Ltd. (上海兆昱資產管理有限公司) *	Corporation	PRC 17 December 2015	RMB30,000,000	55% (2014: nil)	Commercial assets management and operation, PRC
Quanzhou Zhaoyue	Corporation	PRC 4 November 2015	RMB50,000,000	40% (2014: nil)	Property development, PRC

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. SUBSIDIARIES (Continued)

During the year ended 31 December 2015, a wholly-owned subsidiary, Guangxi Duan Leepark Business Service Company Limited, was deregistered. The loss on de-registration was considered to be insignificant and recognized in the profit and loss for the year ended 31 December 2015.

The following table lists out the information related to Nanning Bai Yi and Quanzhou Zhaoyue, the subsidiaries of the Group which have material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Nanning Bai Yi		Quanzhou Zhaoyue
	2015 RMB'000	2014 RMB'000 (Restated)	Period from 4 November 2015 (date of incorporation) to 31 December 2015 RMB'000
Non-controlling interests percentage	12.48%	12.48%	60%
Non-current assets	493,029	491,519	—
Current assets	130,493	210,443	160,069
Current liabilities	(62,173)	(76,689)	(110,069)
Non-current liabilities	(103,719)	(165,073)	—
Net assets	457,630	460,200	50,000
Carrying amount of non-controlling interests	57,112	57,432	30,000
Revenue	90,349	221,315	—
Profit for the year/period	17,430	33,649	2
Total comprehensive income for the year/period	17,430	33,649	2
Profit and total comprehensive income attributable to non-controlling interests	2,175	4,199	1
Dividends paid to non-controlling shareholders	2,496	—	—
Cash flows from/(used in) operating activities	32,214	63,816	(79,193)
Cash flows (used in)/from investing activities	(32,350)	(23,697)	18
Cash flows (used in)/from financing activities	(88,587)	29,454	90,000
Net cash (outflows)/inflows	(88,723)	69,573	10,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INVENTORIES OF PROPERTIES

	2015 RMB'000	2014 RMB'000 (Restated)
Properties under development	429,276	—
Properties held for sale	52,643	102,104
	481,919	102,104
Properties under development include:		
– cost of leasehold land	419,700	—
– construction costs and capitalised expenditure	7,185	—
– interests capitalised	2,391	—
	429,276	—

The properties under development and properties held for sale are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2015, properties under development were expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

20. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade receivables		
From third parties	1,728	4,402
Less: Accumulated impairment loss	(69)	(128)
	1,659	4,274
Other receivables		
Deposits	6,127	1,111
Prepayment	685	502
Other receivables	1,825	3,714
	8,637	5,327
	10,296	9,601

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. For the trade receivables derived from rental income, building management fee income and consultancy service income, the income is paid in accordance with the terms of the respective agreements and the balance is due on presentation.

Based on the invoice dates, the ageing analysis of the trade receivables is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
0-30 days	1,370	3,164
31-90 days	88	680
91-180 days	23	266
181-365 days	21	102
Over 1 year	157	62
	1,659	4,274

Movements of the Group's provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
At 1 January	128	128
Provision for impairment	69	—
Amount written off as uncollectible	(128)	—
At 31 December	69	128

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2015, the Group has determined trade receivables of approximately RMB69,000 (2014: nil) as individually impaired. The impaired trade receivables are due from customers who have defaulted in the scheduled payments after due dates and the Group performed an assessment and concluded the chance of recovering the account receivables is low such that full impairment had been recognised in respect of these receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing of trade receivables that were past due but not impaired are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Neither past due nor impaired	1,258	2,655
1-90 days past due	200	1,189
91-180 days past due	23	266
181-360 days past due	21	102
Over 360 days past due	157	62
	1,659	4,274

Trade receivables that were neither past due nor impaired relate to a number of independent buyers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of tenants and customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believed that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered to be fully recoverable.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on an individual or collective basis.

The other receivables were neither past due nor impaired. The other receivables were related to counterparties for which there was no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000 (Restated)
Cash at bank and in hand	52,925	155,909
Structured bank deposits	19,000	—
Bank balances and cash per the consolidated statement of financial position	71,925	155,909
Less: Restricted bank deposits	(2,491)	(2,467)
Cash and cash equivalents per the consolidated statement of cash flows	69,434	153,442

Included in bank and cash balances of the Group is RMB62,138,000 (2014: RMB142,159,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The structured bank deposits as at 31 December 2015 are principal-protected yield enhancement bank deposits which carrying effective interest rates ranging from 2.1% to 3.2% per annum with original maturity less than 90 days depending on the immediate cash requirements of the Group.

Restricted bank deposits included (i) bank deposits placed in designated bank accounts which can only be used for property maintenance and (ii) guaranteed deposits placed with banks in relation to mortgage facilities granted to the purchasers of the Group's properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade payables		
To third parties	15,440	30,926
Other payables		
Accruals and other payables	14,188	21,176
Deposits received	29,155	14,294
Receipts in advance	7,476	12,564
	50,819	48,034
	66,259	78,960

The carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

The credit terms of trade payables vary according to the terms agreed with different suppliers. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2015 RMB'000	2014 RMB'000 (Restated)
0-30 days	3,725	22,590
31-60 days	—	200
61-90 days	110	89
Over 90 days	11,605	8,047
	15,440	30,926

23. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS/LOAN FROM INTERMEDIATE HOLDING COMPANY

As at 31 December 2015, the amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

As at 31 December 2015, the loan from intermediate holding company is unsecured, interest-bearing at 3-year floating lending rate of People's Bank of China (the "PBOC rate") per annum and would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. INTEREST-BEARING BORROWINGS

	2015 RMB'000	2014 RMB'000 (Restated)
Current		
Bank loans, secured	3,749	11,309
Non-current		
Bank loans, secured	—	59,503
Total borrowings	3,749	70,812

The analysis of the carrying amount of the bank loans is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Current		
Portion of bank loans due for repayment within one year	718	7,698
Portion of bank loans due for repayment after one year which contain repayment on demand clause	3,031	3,611
	3,749	11,309
Non-current		
Portion of bank loans due for repayment after one year	—	59,503
	3,749	70,812

The Group's bank loans are repayable as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Within one year or on demand	3,749	11,309
In the second year	—	7,000
In the third to fifth year	—	21,000
After the fifth year	—	31,503
	—	59,503
	3,749	70,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. INTEREST-BEARING BORROWINGS *(Continued)*

As at 31 December 2014, the Group's bank loans are secured by legal charges over the followings:

- (a) certain of the Group's property, plant and equipment with carrying value of approximately RMB10,713,000 (note 14);
- (b) certain of the Group's interests in leasehold land with carrying value of approximately RMB323,000 (note 15);
- (c) certain of the Group's investment properties with carrying value of approximately RMB320,550,000 (note 16); and
- (d) assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties.

As at 31 December 2015, the Group's bank loan is secured by the legal charges over the Group's property, plant and equipment with carrying value of approximately RMB10,818,000 (note 14).

As at 31 December 2014, the bank loan amounted to approximately RMB66,504,000 was denominated in RMB and bore a floating interest rate ranging from 7.69% to 8.19% per annum. The bank loan was fully settled during the year ended 31 December 2015. The bank loan of approximately RMB4,308,000 was denominated in HK\$ which bore a floating interest rate of 3.5% per annum.

As at 31 December 2015, the bank loan of approximately RMB3,749,000 was denominated in HK\$ which bore a floating interest rate of 3.5% per annum.

25. DEFERRED TAXATION

The net movement of deferred tax liabilities/(assets) are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
At the beginning of the year	167,398	159,186
Recognised in profit or loss	229	8,198
Exchange differences	25	14
At the end of the year	167,652	167,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities

	Revaluation of inventories of properties RMB'000	Revaluation of investment properties RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2014 (Restated)	1,894	144,302	12,785	158,981
Charged/(Credited) to profit or loss	(1,229)	7,141	1,848	7,760
Exchange differences	—	14	—	14
At 31 December 2014 and 1 January 2015 (Restated)	665	151,457	14,633	166,755
Charged/(Credited) to profit or loss	(299)	4,209	—	3,910
Exchange differences	—	25	—	25
At 31 December 2015	366	155,691	14,633	170,690

Deferred tax assets

	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014 (Restated)	205	—	205
Charged to profit or loss	438	—	438
At 31 December 2014 and 1 January 2015 (Restated)	643	—	643
Credited to profit or loss	(1,954)	(1,727)	(3,681)
At 31 December 2015	(1,311)	(1,727)	(3,038)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. DEFERRED TAXATION *(Continued)*

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 RMB'000	2014 RMB'000 (Restated)
Deferred tax assets	(3,038)	—
Deferred tax liabilities	170,690	167,398
	167,652	167,398

As at 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on certain of the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised was RMB31,558,000 as at 31 December 2015 (2014: nil).

26. SHARE CAPITAL

	Number of shares	Amount RMB'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31 December 2014 (Restated) and 2015	1,000,000,000	81,055
Issued and fully paid:		
At 31 December 2014 and 1 January 2015 (Restated)	300,000,000	24,321
Issue of new shares (note a)	60,000,000	4,814
At 31 December 2015	360,000,000	29,135

Note:

- a) On 13 July 2015, the Company completed the allotment and issuance of 60,000,000 ordinary shares of HK\$0.1 each at a subscription price of HK\$3.86 per share under general mandate, giving rise to an increase of share premium of approximately RMB181,001,000. Share issuance expenses directly attributable to the issue of new shares amounting to RMB1,663,000 was treated as a deduction against the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Share premium

The share premium account of the Group represents the premium arising from the issuance of shares of the Company at premium.

Statutory reserve

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies now comprising the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests.

Revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	695,165	492,709	480,767
Current assets			
Prepayments	198	100	294
Amounts due from subsidiaries	30,284	24,941	24,857
Cash and cash equivalents	8,623	12,792	21,692
	39,105	37,833	46,843
Current liabilities			
Accruals and other payables	3,279	1,195	1,204
Net current assets	35,826	36,638	45,639
Total assets less current liabilities	730,991	529,347	526,406
Net assets	730,991	529,347	526,406
EQUITY			
Share capital	29,135	24,321	24,321
Other reserves (note)	701,856	505,026	502,085
Total equity	730,991	529,347	526,406

SHI Zhen
Director

ZHAO Chengmin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movements of the Company's other reserves are as follows:

	Share premium RMB'000	Capital reserve (Note (a)) RMB'000	Exchange reserve RMB'000	Proposed final dividend RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014, as restated	19,607	490,259	(19,405)	4,276	7,348	502,085
Loss and total comprehensive expense for the year	—	—	—	—	(5,771)	(5,771)
Currency translation differences	—	—	12,988	—	—	12,988
Dividends paid	—	—	—	(4,276)	—	(4,276)
At 31 December 2014 and 1 January 2015, as restated	19,607	490,259	(6,417)	—	1,577	505,026
Loss and total comprehensive expense for the year	—	—	—	—	(14,312)	(14,312)
Currency translation differences	—	—	31,804	—	—	31,804
Share issue expenses	(1,663)	—	—	—	—	(1,663)
Issue of new shares (note 26(a))	181,001	—	—	—	—	181,001
At 31 December 2015	198,945	490,259	25,387	—	(12,735)	701,856

Note:

- a) The capital reserve of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing on the GEM of the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. OPERATING LEASE ARRANGEMENTS

a. As lessor

At the reporting date, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Within one year	37,527	22,335
After one year but within five years	55,745	47,549
After five years	28,333	32,004
	121,605	101,888

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to ten years (2014: one to ten years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

b. As lessee

At the reporting date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of the Group's properties as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Within one year	4,195	5,044
After one year but within five years	16,526	20,000
After five years	22,037	28,760
	42,758	53,804

The Group leases properties under operating leases. The leases run for an initial period of one to twenty years (2014: one to twenty years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases includes contingent rental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

	2015 RMB'000	2014 RMB'000 (Restated)
Contracted but not provided for		
– leasehold improvements	248	—
– properties under development	172,020	—

31. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	2015 RMB'000	2014 RMB'000 (Restated)
Guarantees given to banks and financial institutions for mortgage facilities granted to purchasers of the Group's properties	133,846	90,114

The amount represented the guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Group's property units. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and financial institutions and the Group is entitled to take over the legal title and possession of the related properties. In case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements. The directors of the Company considered that the fair value of financial guarantee is insignificant due to low applicable default rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into following transactions with related parties:

Name of related parties	Nature of transactions	2015 RMB'000	2014 RMB'000 (Restated)
Director:			
Mr. Cheng Bun (note a)	Sales of properties	—	2,560
Related company:			
Pharma Frontiers Limited (note b)	Rental income	—	70
Intermediate holding company:			
C&D Real Estate Corporation Limited ("C&D Real Estate") (note c)	Interest expenses on loan from intermediate holding company	2,630	—

Note:

- Pursuant to the commodity property sale and purchase agreement and the car park usage agreement both dated 10 December 2013 entered into between WTS Real Estate as vendor and Mr. Cheng Bun as purchaser, WTS Real Estate had pre-sold a commodity property in Nanning, Guangxi, the PRC and granted the right of using four ancillary car parks to the property to Mr. Cheng Bun at a consideration of approximately RMB2,560,000. The transaction was completed on 25 February 2014 upon the delivery of properties to Mr. Cheng and collection of remaining consideration from bank.
- Dr. Elaine Eick, a director of the Company, has sole beneficial interest in Pharma Frontiers Limited. Pursuant to a lease agreement dated 17 October 2011 which was entered into between Leepark Holdings Limited as landlord and Pharma Frontiers Limited as tenant, Leepark Holdings Limited has leased a portion of its office to Pharma Frontiers Limited for a monthly rental of HK\$22,000 (equivalent to approximately RMB18,000) from 1 May 2011 to 30 April 2014. The Group did not renew the tenancy agreement upon its expiration on 30 April 2014.
- During the year ended 31 December 2015, a subsidiary of the Company incurred loan interest of RMB2,630,000 to C&D Real Estate, the intermediate holding company pursuant to framework loan agreement with C&D Real Estate whereby C&D Real Estate agreed to grant RMB loan facilities to certain subsidiaries of the Company for their project development at the benchmark lending interest rate promulgated by the People's Bank of China ("PBOC") (note 23).

Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2015 RMB'000	2014 RMB'000 (Restated)
Basic salaries and allowances	3,481	11,417
Retirement benefit scheme contributions	15	231
	3,496	11,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

33.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities. See note 2.9 and 2.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2015 RMB'000	2014 RMB'000 (Restated)
Financial assets		
Loans and receivables:		
Trade and other receivables	3,484	7,988
Cash and cash equivalents	71,925	155,909
	75,409	163,897
Financial liabilities		
Amortised cost:		
Trade and other payables	29,628	52,102
Amounts due to non-controlling shareholders	60,000	—
Loan from intermediate holding company	115,507	—
Interest-bearing borrowings	3,749	70,812
	208,884	122,914

33.2 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the Group entities hold majority of their assets and liabilities in their own functional currency. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank balances, the Group has no significant interest-bearing assets.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loan from intermediate holding company and bank loans with floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 23 and 24 to the consolidated financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax and retained profits by approximately RMB237,000. At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after income tax and retained profits by approximately RMB425,000. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

33.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 31.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In this regard, directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group, except for leases which generally require the tenants to pay security deposits.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to non-controlling shareholders and its financing obligations, and also in respect of its cash flow management. The Group's policy is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2015 and 2014. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, interest-bearing borrowings subject to a repayment on demand clause which can be exercised at the bank's sole direction, are included in the "on demand" time band as the lenders have unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.5 Liquidity risk *(Continued)*

The contractual maturity analysis of the Group below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Over 5 years RMB'000	Total contractual amount RMB'000	Carrying amount RMB'000
As at 31 December 2015						
Trade and other payables	29,628	—	—	—	29,628	29,628
Amounts due to non-controlling shareholders	60,000	—	—	—	60,000	60,000
Loan from intermediate holding company	5,362	5,362	118,239	—	128,963	115,507
Other interest-bearing borrowings (note)	3,749	—	—	—	3,749	3,749
	98,739	5,362	118,239	—	222,340	208,884
Financial guarantees issued						
Maximum amount guaranteed	133,846	—	—	—	133,846	—
As at 31 December 2014 (Restated)						
Trade and other payables	52,102	—	—	—	52,102	52,102
Other interest-bearing borrowings (note)	16,304	11,401	30,952	37,308	95,965	70,812
	68,406	11,401	30,952	37,308	148,067	122,914
Financial guarantees issued						
Maximum amount guaranteed	90,114	—	—	—	90,114	—

Note:

Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these bank loans amounted to RMB3,749,000 (2014: RMB4,308,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within six years (2014: seven years) after the reporting date in accordance with the scheduled repayment date set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB4,832,000 (2014: RMB5,920,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio of less than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's net debt to equity ratio at the reporting date was:

	2015 RMB'000	2014 RMB'000 (Restated)
Interest-bearing borrowings	3,749	70,812
Loan from intermediate holding company	115,507	—
	119,256	70,812
Less: Cash and cash equivalents	(71,925)	(155,909)
Net debt	47,331	N/A
Total equity	849,241	617,277
Net debt to equity ratio	5.6%	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2015:

- (i) As disclosed in the announcement dated 14 December 2015, the Group entered into a construction management services agreement with Xiamen Heshan Construction and Development Limited (廈門禾山建設發展有限公司, "Heshan Construction"), a wholly-owned subsidiary of C&D Real Estate, pursuant to which the Group provides construction management services to Heshan Construction in respect of Fanghu Project and Xueling Project, resettlement housing projects for residential development located in Xiamen, Fujian Province, the PRC. The provision of construction management services has commenced from 1 January 2016.
- (ii) As disclosed in the announcement dated 24 December 2015, the Group entered into share transfer agreements to acquire each of the 60% equity interest in Fanhua Enterprise Company Limited (漳州泛華實業有限公司, "Zhangzhou Fanhua") and Fujian Zhaojia Real Estate Company Limited (福建兆嘉房地產有限公司, "Fujian Zhaojia") (the "Acquisitions") for aggregate consideration of RMB52,551,000 and RMB22,242,000 respectively. The Acquisitions were completed subsequent to 31 December 2015. As of the date of this report, the Group is in the progress of assessing the fair value of assets acquired and liabilities assumed of the acquired companies and it is impracticable to disclose the amounts and the resulting effect at this stage.
- (iii) As disclosed in the announcement dated 14 March 2016, the Group entered into property leasing agreements (the "Leases") with the subsidiaries of C&D Real Estate, Shanxidi Real Estate Development Limited Company (上海山溪地房地產開發有限公司, "Shanghai Shanxidi") and Shanghai Zhongyue Real Estate Development Limited Company (上海中悅房地產開發有限公司, "Shanghai Zhongyue"), respectively. The Leases were entered into between Shanghai Shanxidi and Shanghai Zhongyue as lessors and the Group as lessee and commenced from 15 March 2016.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	2015 RMB\$'000	Year ended 31 December			
		2014 RMB\$'000 (Restated)	2013 RMB\$'000 (Restated)	2012 RMB\$'000 (Restated)	2011 RMB\$'000 (Restated)
Revenue	133,767	272,771	303,297	333,555	272,110
Gross profit	63,496	65,047	109,636	123,248	108,833
Profit before income tax	35,470	46,716	94,429	123,804	111,510
Profit for the year	15,413	29,391	54,875	71,969	63,564
Profit for the year attributable to the equity owners of the Company	12,668	24,896	50,288	64,529	57,001

ASSETS, LIABILITIES AND EQUITY

	2015 RMB\$'000	2014	2013	2012	2011
		RMB\$'000 (Restated)	RMB\$'000 (Restated)	RMB\$'000 (Restated)	RMB\$'000 (Restated)
Non-current assets	716,338	691,349	676,976	646,629	598,296
Current assets	564,140	270,179	296,034	371,968	416,798
Non-current liabilities	286,197	226,901	189,057	181,383	173,755
Current liabilities	145,040	117,350	193,149	289,735	407,045
Net current assets	419,100	152,829	102,885	82,233	9,753
Total equity	849,241	617,277	590,804	547,477	434,293

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2015

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Yu Feng Plaza	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail, office and car parks	8,579	31 March 2074
2. Wan Guo Plaza and other properties	Front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	8,048	31 May 2044 and 25 February 2044
3. Other properties	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	36	31 May 2044
4. Other properties	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	347	10 July 2044
5. No. 10 West Street	Front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Office and retail	2,188	25 February 2044 and 6 September 2044
6. Other properties	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	478	31 August 2044
7. Other properties	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	863	16 April 2044

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2015 *(Continued)*

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
8. Other properties	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	2,237	25 February 2044
9. Other properties	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	250	6 September 2044
10. Other properties	No. 99 and 99-1 Huaqiang Road and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	22 April 2044
11. Other properties	1/F of Block No.1 of No. 220-4 and No. 220-5 and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	217	25 February 2044
12. Other properties	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	381	20 February 2044 and 6 September 2044
13. Other properties	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	20 February 2044
14. Other properties	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Industrial	1,141	16 November 2054
15. Other properties	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	510	7 September 2044

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2015 *(Continued)*

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
16. Other properties	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	161	Note 1
17. Other properties	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail and residential	879	25 May 2049 (retail unit) and 25 May 2079 (residential units)

Note:

- 1 According to the remark stated in the State-owned Land Use Rights Certificate No. (2010) 518938, the property is situated on a site on which a road is planned to be built and is used temporarily by the Group.

PROPERTIES CONTRACTED TO BE HELD FOR INVESTMENT AS AT 31 DECEMBER 2015

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Other properties	4 retail units on 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	Note	Note

Note: As at 31 December 2015, the State-owned Land Use Rights Certificate of the property have not been obtained. According to the Resettlement Agreement entered into between 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) (Party A) and 南寧百益實業有限公司 (Nanning Bai Yi Industrial Enterprise Limited) (Party B) dated 31 October 2002, Party B agreed that 4 retail units with a gross floor area of 127.00 sq.m. on 1/F of Lvdu Shangsha shall be assigned by Party A to Party B after redevelopment of the original buildings. According to the Treatment Scheme for Guangxi Nanning Bai Yi Commercial Company Limited's Resettled Property issued by 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) on 30 December 2009, the resettled 4 residential units has a total gross floor area of 94.87 sq.m.

PROPERTIES PORTFOLIO

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2015

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
1. Fond England	The unsold carpark units of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	65,965 ^(note 1)	Carparks	4,301	93.84
2. Li Yuan	The unsold portion of Li Yuan Residential Development, No. 128 Daxue East Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	9,074 ^(note 2)	Residential, retail and carparks	16,951	87.52

Notes:

- (1) According to the State-owned Land Use Rights Certificate No. (2014)648323 issued by People's Government of Nanning dated 19 December 2014, the land use rights of the property with a total site area of 65,964.88 sq.m. have been granted to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) for urban composite residential use, which are due to expire on 25 March 2074.
- (2) According to the State-owned Land Use Rights Certificate Nos. (2011)584349 and (2011)584350 issued by People's Government of Nanning both dated 19 December 2011, the land use rights of the property with a total site area of 9,074.37 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for urban residential and commercial uses starting from 10 November 2011.

PROPERTIES PORTFOLIO

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2015

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
1. QUANZHOU. CENTRAL SKYLINE	Wanan Road, Wanfu Community, Luojiang District, Quanzhou, Fujian Province, the PRC	Residential, retail and carparks	preliminary	22,174 ^(note 1)	62,087	Late 2017	40
2. CHANGSHA. JOYFUL TOWN	Joyful Town Project, No. 180 Laodong Road East, Yuhua District, Changsha, Hunan Province, the PRC	Residential, retail and carparks	preliminary	25,642 ^(note 2)	100,260	Late 2017	100

Notes:

- (1) According to the State-owned Land Use Rights Certificate 洛國用(2015)NO.42 issued by people's Government of Quanzhou luojiangqu dated 31 December 2015, the land use right of the property with a total site area of 44,825.15 sq.m. have been granted to 泉州兆悦置業有限公司 (Quanzhou Zhaoyue Properties Limited) for urban composite residential use, which are due to expire on 9 November 2085
- (2) According to the State-owned Land Use Rights Certificate 長國用(2015)NO. 098350 issued by people's Government of Changsha dated 30 September 2015, the land use right of the property with a total site area of 25,642.04 sq.m. have been granted to 長沙兆悦房地產有限公司 (Changsha Zhaoyue Real Estate Co., Ltd.) for urban composite residential use, which are due to expire on 31 August, 2085