Jiayuan International Group Limited
佳源國際控股有限公司
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 2768

2016
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Non-executive Director

Shum Tin Ching *(Chairman)*

Executive Directors

Huang Fuqing *(Vice Chairman)*
Cheuk Hiu Nam *(Chief Executive Officer)*
Wang Jianfeng

Independent non-executive Directors

Tai Kwok Leung, Alexander
Cheung Wai Bun, Charles, *JP*
Gu Yunchang

AUDIT COMMITTEE

Tai Kwok Leung, Alexander *(Chairman)*
Cheung Wai Bun, Charles, *JP*
Gu Yunchang

REMUNERATION COMMITTEE

Cheung Wai Bun, Charles, *JP (Chairman)*
Tai Kwok Leung, Alexander
Cheuk Hiu Nam

NOMINATION COMMITTEE

Shum Tin Ching *(Chairman)*
Cheung Wai Bun, Charles, *JP*
Gu Yunchang

COMPANY SECRETARY

Wong Tak Yee, *FCS, FCIS*

AUTHORISED REPRESENTATIVES

Cheuk Hiu Nam
Wong Tak Yee

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

As to Hong Kong law:
Mayer Brown JSM

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

COMPLIANCE ADVISER

Messis Capital Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Wing Lung Bank Limited
Agricultural Bank of China Co., Ltd.
Nanyang Commercial Bank
Bank of Dalian
Nanjing Bank

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1403, 9 Queen's Road Central
Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

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

WEBSITE

www.jiayuanintl.com

STOCK CODE

2768

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited (the "Company") (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China ("PRC"). On 8 March 2016, the Company completed the initial public offering with its shares listed on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

As at 31 December 2016, the Company and its subsidiaries (the "Group") had a total land bank of approximately 6.6 million square meters ("sq.m."). Pursuant to the Group's core development strategy of "major cities and selected key towns" (「大城市、小城鎮」), the Group will focus on the development of (i) residential properties in major cities such as Nanjing, Yangzhou and Shenzhen; and (ii) integrated commercial projects in "key towns" (中心鎮) or towns which are under key development, such as Taixing and Changzhou.

In response to the national policy of continuing urbanisation, and the call for city modernisation emphasised by the Jiangsu Provincial Government, the Group envisages that key towns will be developed into major economic and transportation hubs among neighbouring towns, facilitating the pull factors for urbanisation. The Group expects that the economic development of key towns will also enrich the disposable income of the local residents, which, in turn, will attribute to a healthy demand for residential and commercial properties. The Group also plans to expand the operations by developing residential complexes in cities with sizeable economies and populations with a view to expanding the reach of the Group's business and maximising the Group's return under the projected property demand.

The Group's residential and commercial complexes have been or will be developed into mixed-use community centres, which are designed to provide a high level of convenience and enjoyment to customers. In this regard, the Group strives to infuse the following key values into the developments:

(i) Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school net. In addition, the Group has participated in the construction of five schools in our developed property projects, aiming at building an excellent school net.

(ii) Leisure value: It is the Group's general practice to space a large portion of its site area for the construction of classical landmarks, European or Japanese theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to our customers; and

(iii) Commercial value: The residential properties under the Group also develop retail stores and shopping malls, providing a "one-station" shopping experience to our customers and taking care of the daily needs of residents and citizens nearby.

Therefore, the Group believes that the quality property development projects under the Group are or will be well received in the locations in which the Group operates or plans to expand operation.

CHAIRMAN'S STATEMENT

Dear **Shareholders**,

Jiayuan International Group Limited is an established property developer of residential and commercial complexes in the PRC. The Group's business operations include the development and sale of residential and commercial properties and leasing of commercial properties. Despite a slowdown of economic growth with gross domestic product of 6.7% in 2016, the Group still benefited from the recovery of the real estate market and the full implementation of "two-child" policy under the National 13th Five-Year Plan, which stimulated the housing demand.

RESULTS PERFORMANCE

Over the past year, the Group has been striving to seize market opportunities, and the major operational indicators grew significantly. As of 31 December 2016, the Group achieved contracted sales of properties of RMB4.65 billion, representing an increase of approximately 21.6% when compared to 2015. Property contracted sales area amounted to approximately 460,091 sq.m., representing an increase of approximately 21.5% when compared to 2015. The average price of contracted sales was RMB10,102 per sq.m.. The annual revenue increased by 98% year-on-year to RMB3.7 billion. Net profit amounted to RMB0.81 billion, representing a significant increase of 160.0%. Profit attributable to shareholders amounted to approximately RMB0.81 billion, representing a significant increase of 189.0% from RMB0.28 billion in 2015. Earnings per share also recorded a significant increase of 120.5% to RMB45.9 cents when compared to 2015.

GROUP OVERVIEW

The Group completed a number of significant transactions, including acquisition of interests in two parcels of land in Yangzhou, one parcel of land in Zhenjiang and four parcels of land in Nantong, by way of mergers and acquisitions, and has entered into agreements in relation to acquisition of land parcels in Luohu and Bao'an of Shenzhen in the second half of the year, which fostered the rapid expansion of the Group's property business coverage. As at 31 December 2016, the Group's property portfolio comprised 25 properties in various major cities in the PRC, with a completed total gross floor area ("GFA") of approximately 3.7 million sq.m. and land reserve of over 6.6 million sq.m., covering Changzhou, Nanjing, Yangzhou, Taizhou, Taixing, Suqian and Siyang and new cities such as Nantong, Zhenjiang and Shenzhen. Besides further expansion in the Yangtze River Delta Region, the Group also successfully enlarged the real estate business coverage to the major city in Guangdong Province, thereby enhancing the brand name of "Jiayuan" in the Pearl River Delta Region.

PROSPECTS

The Group considers that the austerity policies introduced by the Central Government in 2016 would accelerate the establishment of market stability mechanism and facilitate healthy development of the mainland property market. Against the backdrop of accelerated integration of the Chinese property market, the Group will, based on its financial position and market conditions, maintain an appropriate scale of investment, on one hand by participating in public land auction, and on the other, through acquisition of enterprises with land resources by way of mergers and acquisitions, and participation in the urban renewal projects, thereby increasing its land reserves through multiple channels in order to support stable growth in this 13th Five-Year Plan period.

Looking forward to 2017, the Group will continue to expand new projects in Jiangsu Province, and focus on the expansion of the Pearl River Delta Region. The Group will position Hong Kong as an oversea business development center, and develop quality projects in nearby countries and regions in order to increase its quality land reserves, thereby achieving parallel development in domestic and overseas markets and capturing the development opportunities in the global real estate market. Lastly, on behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to extend my sincere gratitude to our shareholders. With the promising business performance this year, all staff of the Group will continue to make every effort to maximize the value for our shareholders.

Jiayuan International Group Limited
Shum Tin Ching
Chairman


公告栏 NOTIFICATION

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of 2016

In 2016, the Group continued to adhere to the core development strategy of "major cities and selected key towns" (「大城市、小城鎮」). As at 31 December 2016, the Group had 25 property development projects in China, comprising 20 residential complexes and 5 commercial complexes. Despite a slowdown of China's economic growth with gross domestic product growth of 6.7% in 2016, the Group had benefited from the recovery of the real estate market in China during the year. Housing demand had been stimulated as a result of the relaxed restrictions on home purchases promulgated by provincial government authorities and reductions in benchmark interest rates by the People's Bank of China. During the year, the Group achieved contracted sales of properties of approximately RMB4,648.2 million, representing a significant growth from 2015 with a year-on-year increase of approximately 21.6%.

Extensive Recognition

In the past year, the Group has won numerous industry awards in Hong Kong and mainland China, including the Hong Kong Outstanding Enterprises Awards 2016 granted by Economic Digest and Excellence of China Real Estate Award granted by Metro Daily and Metro Prosperity. Our project Nanjing Xinhaoning won the Outstanding Real Estate Brand in China granted by the provincial government of Xuanwu District, Nanjing City. The Group considers that receiving numerous recognitions from various sectors during the year not only proved that the Company is equipped with strong integrated ability, but also solidified the Group's leading position in the real estate industry in China.

Media and Investors Relations

In 2016, numerous medias and investors organised tours to visit the Group's most representative projects such as Nanjing Zijin Mansion, Taixing Jiayuan New World and Taixing Venice Metropolis. Not only did they enhance investors' understanding of the Group's projects, the tours also manifested the Group's core value to integrate education, leisure, commercial and excellent quality.

Outlook for 2017

The Group adheres to its core value of "putting quality first" and will continue to update its residential products, building an Internet smart home, six-star rating butler and medical and caring combined services for taking care of the elderly, thereby satisfying the needs of property owner all-roundly.

Upon the Company's shares being listed on the Main Board of the Stock Exchange on 8 March 2016 (the "Listing Date"), the Company has become a constituent stock of benchmarking indices, including Hang Seng Composite Small Cap Index, MSCI China Small Cap Index, Hang Seng Stock Connect Hong Kong Index and Shenzhen-Hong Kong Stock Connect stock list. In addition, the Group successfully developed the financing channel in China, Hong Kong and the world, realized further optimization in capital structure and reduction in financing cost. The Group considers that such measures would be a solid foundation for the Group's long-term development.

Moreover, the Group strives on adoption of new technologies into real estate projects. The Group will apply the 3D printing technology from gardening and outdoor products to project level gradually. This technology would effectively shorten the construction period, reduce the construction costs, pollution and waste, and hence transform the Group from a "traditional" to a "scientific" real estate developer with its focus on "green architecture".

Looking into 2017, the Group will seize the opportunities in the real estate market and endeavour to achieve ever greater and more ambitious development objectives.

Contracted Sales

For the year ended 31 December 2016, the contracted sales of the Group amounted to approximately RMB4,682.2 million, representing an increase of approximately 21.6% from approximately RMB3,823.2 million for the year ended 31 December 2015. Total GFA sold in 2016 was approximately 460,091 sq.m., representing an increase of approximately 21.5% from approximately 378,690 sq.m. for the year ended 31 December 2015. Contracted sales of the Group, by geographical location, from Nanjing, Taixing, Taizhou (other than Taixing), Yangzhou, Siyang, Suqian (other than Siyang), Changzhou and Nantong amounted to approximately RMB2,185.3 million, RMB1,197.2 million, RMB46.7 million, RMB418.1 million, RMB126.2 million, RMB364.7 million, RMB160.8 million and RMB149.2 million, respectively, representing approximately 47.0%, 25.8%, 1.0%, 9.0%, 2.7%, 7.8%, 3.5% and 3.2% of the Group's total contracted sales in 2016, respectively.

Details of contracted sales breakdown of the Group by major projects are as follows:

Project	Year ended 31 December 2016			Year ended 31 December 2015		
	Contracted sales RMB (million) (approx.)	Contracted GFA (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	Contracted sales RMB (million) (approx.)	Contracted GFA (sq.m.)	Contracted ASP (RMB per sq.m.)
1. Zijin Mansion 紫金華府	2,185.3	76,128	28,705	2,380.8	111,482	21,356
2. Yangzhou Park Number One 揚州公園一號	–	–	–	3.1	418	7,418
3. Jiayuan Centurial Villa 世紀豪園	1.2	271	4,353	33.2	6,616	5,021
4. Jiayuan Centurial Garden 世紀花園	0.3	60	5,594	0.8	149	5,400
5. Venice Metropolis 威尼斯城	429.9	68,484	6,277	268.0	40,472	6,622
6. Qiangxi Garden 羌溪花苑	5.8	384	15,113	73.9	7,175	10,304
7. Oriental Bright City 東方不夜城	0.7	141	4,609	58.0	14,140	4,105
8. Oriental Paris City 東方巴黎城	40.8	11,791	3,463	62.2	17,460	3,564
9. Quexiandao Number One 鵲仙島一號	5.2	1,150	4,556	9.0	1,779	5,059
10. Elite International Garden 名人國際花園	–	–	–	0.5	92	5,066
11. Suqian Park Number One 宿遷公園一號	126.2	22,022	5,728	270.3	50,863	5,314
12. Paris Metropolis 巴黎都市	174.3	36,082	4,831	92.7	22,341	4,150
13. Rome Metropolis 羅馬都市	190.4	45,504	4,183	140.7	39,293	3,579
14. Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	160.8	29,374	5,474	163.3	27,189	6,004
15. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	120.0	25,723	4,664	107.3	23,636	4,539
16. Huangqiao Jiayuan Mingfu 黃橋佳源名府	118.3	18,625	6,350	–	–	–
17. Jiayuan New World 新天地	523.2	51,519	10,155	159.4	15,585	10,224
18. Nantong Jiayuan Metropolis 南通佳源都市	149.2	23,457	6,362	–	–	–
19. Yangzhou Jiayuan Centurial City 揚州佳源世紀天城	416.6	49,376	8,436	–	–	–
Total	4,648.2	460,091	10,102	3,823.2	378,690	10,095

Property Projects

According to the stage of development, the Group classifies its property projects into three categories: completed properties, properties under development and properties held for future development. As some of its projects comprise multiple-phases development on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

As at 31 December 2016, the Group had completed a total GFA of 3.7 million sq.m. and had land reserves with a total GFA of 6.6 million sq.m., comprising (a) a total GFA of approximately 0.4 million sq.m. completed but remaining unsold and held for investment, (b) a total GFA of approximately 3.4 million sq.m. under development, and (c) a total planned GFA of approximately 2.8 million sq.m. held for future development.

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2016, the Group had investment properties with a total GFA of approximately 0.35 million sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades in order to enable the Group to select tenants so as to optimize the tenant mix. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

Properties Under Development and Properties Held for Future Development

The following table sets out a summary of the Group's properties under development, properties held for future development and project phases by projects as at 31 December 2016:

				Under Development			Held For Future Development		
Project	Project Type	Expected Completion Date	Site Area (sq.m.)	GFA Under Development (sq.m.)	Saleable/ Rental GFA (sq.m.)	GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained (sq.m.)	Ownership Interest %
Yangzhou									
1. Yangzhou Jiayuan Centurial City 佳源世紀天城	Residential	2019Q2	214,206	717,691	446,647	49,376	573,803	–	100%
Nanjing									
1. Zijin Mansion 紫金華府	Residential	2017Q2	339,008	235,747	220,831	100,723	–	–	100%
Taixing									
1. Venice Metropolis 威尼斯城	Residential	2022Q3	1,467,002	460,409	460,409	275,729	976,005	–	100%
2. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed-use	2017Q2	123,940	99,161	98,271	18,625	56,176	–	100%
3. Jiayuan New World 新天地	Mixed-use	2018Q2	190,802	254,097	254,097	315,382	–	–	100%
4. Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Mixed-use	2018Q4	83,048	389,343	38,943	–	39,389	–	100%
Taizhou									
1. Oriental Paris City 東方巴黎城	Residential	2016Q3	231,702	20,018	15,854	1,153	8,965	–	100%
2. Taizhou Jiayuan Central Plaza 泰州佳源中心廣場	Mixed-use	2018Q4	15,702	–	–	–	–	15,702	100%

Project	Project Type	Expected Completion Date	Site Area (sq.m.)	Under Development: GFA Under Development (sq.m.)	Under Development: Saleable/ Rental GFA (sq.m.)	Under Development: GFA Pre-sold (sq.m.)	Held For Future Development: Planned GFA (sq.m.)	Held For Future Development: GFA of Land Use Rights Certificates Not Yet Obtained (sq.m.)	Ownership Interest %
Suqian									
1. Suqian Park Number One 宿遷公園一號	Residential	2017Q1	126,183	125,991	67,844	54,220	–	–	90%
Siyang									
1. Paris Metropolis 巴黎都市	Residential	2019Q4	173,933	104,164	102,627	81,755	618,762	–	90%
2. Rome Metropolis 羅馬都市	Residential	2020Q4	338,967	96,899	87,074	20,210	443,045	–	100%
Changzhou									
1. Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	Mixed-use	2020Q4	58,601	122,313	55,128	41,252	–	–	100%
Nantong									
1. Jiayuan Metropolis 佳源都市	Residential	2019Q2	198,434	518,560	409,020	23,457	–	–	100%
Zhenjiang									
1. Jiayuan Paris Metropolis 佳源巴黎都市	Residential	2019Q2	119,607	280,981	195,044	–	–	–	80%
Shenzhen									
1. Shenzhen Dingxi 深圳鼎曦	Residential	2019Q2	4,940	–	–	–	–	55,514	100%
2. Shenzhen Songling 深圳松齡	Residential	2019Q2	4,281	–	–	–	–	38,100	49%
Total			3,690,356	3,425,375	2,451,789	981,882	2,716,145	109,316	
Total Attributable GFA			3,634,240	3,346,164	2,395,733	968,283	2,654,268	89,885	

Investment Properties

The following table sets out a summary of the Group's investment properties (excluding carparks) as at 31 December 2016:

Project	Project Type	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December 2016 (RMB million)	2015 (RMB million)
Yangzhou					
1. Yangzhou Park Number One 揚州公園一號	Residential	721	721	**0.3**	0.3
2. Jiayuan Centurial Garden 世紀花園	Residential	8,653	8,653	**0.9**	1.2
3. Jiayuan Centurial Scenery Park 世紀景園 *(Note 1)*	Residential	–	–	**–**	0.3
4. Jiayuan Centurial Villa 世紀豪園 *(Note 1)*	Residential	–	–	**–**	0.5
5. Yangzhou Jiayuan Centurial City 佳源世紀天城 *(Note 2)*	Residential	127,002	–	**–**	–
Taixing					
1. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed-used	47,567	43,601	**1.4**	0.8
2. Jiayuan New World 新天地	Mixed-used	25,191	20,643	**3.6**	3.0
3. Qiangxi Garden 羌溪花苑	Residential	3,046	3,046	**0.3**	–
Taizhou					
1. Oriental Bright City 東方不夜城	Residential	34,419	34,303	**5.8**	6.1
2. Quexiandao Number One 鵲仙島一號	Residential	10,028	9,939	**2.5**	2.5
Siyang					
1. Rome Metropolis 羅馬都市	Residential	43,886	37,534	**2.8**	4.0
Changzhou					
1. Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場 *(Note 3)*	Mixed-used	49,849	3,818	**–**	–
Total		350,362	162,258	**17.6**	18.7

Note 1: The lease agreements of the relevant properties of Jiayuan Centurial Scenery Park and Jiayuan Centurial Villa were terminated and the relevant properties were removed from the Group's investment property pool as the Group no longer wishes to lease the relevant properties to generate rental income.

Note 2: The project is currently under construction.

Note 3: Part of the project is currently under construction.

Completed Properties

The following table sets out a summary of the Group's completed projects and project phases by projects as at 31 December 2016:

Project	Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Rental GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Rental GFA Held for Property Investment (sq.m.)	Ownership Interest %
Nanjing							
1. Zijin Mansion 紫金華府	Residential	44,698	135,118	124,499	6,786	–	100%
Yangzhou							
1. Yangzhou Park Number One 揚州公園一號	Residential	75,591	148,894	118,281	–	721	100%
2. Jiayuan Centurial Villa 世紀豪園	Residential	391,088	236,311	216,384	1,803	–	100%
3. Jiayuan Centurial Garden 世紀花園	Residential	234,671	392,134	352,150	4,317	8,653	100%
4. Jiayuan Centurial Scenery Park 世紀景園	Residential	60,972	119,978	98,735	–	–	100%
Taixing							
1. Venice Metropolis 威尼斯城	Residential	660,576	673,391	512,763	12,618	–	100%
2. Qiangxi Garden 羌溪花苑	Residential	69,486	297,159	234,297	2,557	3,046	100%
3. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed–use	123,940	157,419	153,570	8,973	47,567	100%
4. Jiayuan New World 新天地	Mixed–use	121,316	145,681	97,413	24,552	25,191	100%
Taizhou							
1. Oriental Bright City 東方不夜城	Residential	77,021	310,627	255,892	10,068	34,419	100%
2. Oriental Paris City 東方巴黎城	Residential	226,402	311,980	254,386	33,142	–	100%
3. Quexiandao Number One 鵲仙島一號	Residential	68,330	37,865	28,015	8,658	10,028	100%
Suqian							
1. Elite International Garden 名人國際花園	Residential	53,970	218,046	175,491	687	–	90%
2. Suqian Park Number One 宿遷公園一號	Residential	126,183	219,047	219,047	7,031	–	90%

Project		Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Rental GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Rental GFA Held for Property Investment (sq.m.)	Ownership Interest %
Siyang								
1.	Paris Metropolis 巴黎都市	Residential	173,933	79,143	60,962	14,918	–	90%
2.	Rome Metropolis 羅馬都市	Residential	338,967	212,943	196,350	18,745	43,886	100%
Changzhou								
1.	Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	Mixed–use	21,411	51,125	51,152	4,855	49,849	100%
Total			2,868,555	3,746,863	3,149,387	159,710	223,360	
Total Attributable GFA			2,833,148	3,695,237	3,103,837	157,446	223,360	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at 31 December 2016:

	Completed		Under development	Future development		Total land reserves	
	Saleable GFA remaining unsold (sq.m.)	Rentable GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	GFA without land use rights certificate (sq.m.)	Total GFA (sq.m.)	Percentage by geographical location (%)
Nanjing	6,786	–	235,747	–	–	242,533	4%
Taixing	48,700	75,804	1,203,011	1,071,570	–	2,399,085	36%
Taizhou (other than Taixing)	51,868	44,447	20,018	8,965	15,702	141,000	2%
Yangzhou	6,120	9,374	717,691	573,803	–	1,306,988	20%
Suqian (other than Siyang)	7,718	–	125,991	–	–	133,709	2%
Siyang	33,663	43,886	201,063	1,061,807	–	1,340,419	20%
Changzhou	4,855	49,849	122,313	–	–	177,017	3%
Zhenjiang	–	–	280,981	–	–	280,981	4%
Nantong	–	–	518,560	–	–	518,560	8%
Shenzhen	–	–	–	–	93,614	93,614	1%
	159,710	223,360	3,425,375	2,716,145	109,316	6,633,906	100%

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. In 2016, revenue of the Group amounted to approximately RMB3,702.1 million, representing an increase of approximately 97.7% from approximately RMB1,872.6 million in 2015. Profit and total comprehensive income for the year attributable to the owners of the Group was approximately RMB811.2 million, representing an increase of approximately 188.9% from approximately RMB280.7 million in 2015.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 99.5% to approximately RMB3,681.8 million in 2016 from approximately RMB1,845.9 million in 2015. The increase was mainly due to the delivery of properties pre-sold under Zijin Mansion project upon its first stage of completion.

Development Services

The Group's development service refers to the provision of development services to government organisations. Revenue from development services decreased by approximately RMB3.0 million from 2015 to nil in 2016. The decrease was mainly due to the completion of the Group's development service projects in 2016.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment decreased by approximately 14.4% to RMB20.3 million in 2016 from RMB23.7 million in 2015. The decrease was primarily due to the leasing contracts of some of the property investments were matured during the year, and time is needed to select appropriate tenants.

Gross Profit and Margin

Gross profit increased by approximately 217.6% to approximately RMB1,263.9 million in 2016 from approximately RMB398.0 million in 2015, while the Group's gross profit margin increased to 34.1% in 2016 as compared to a gross profit margin of 21.3% in 2015. The increase in gross profit margin was mainly attributable to the delivery of projects including Nanjing Zijin Mansion project and Taixing Jiayuan New World which contributed a comparatively higher gross profit margin to the Group.

Other Income, Gains and Losses

We had other income and gains of approximately RMB66.3 million and other net losses of approximately RMB34.0 million in 2016 and 2015 respectively. The sharp increase of other income and gains was mainly attributable to recording a foreign exchange gain of approximately RMB5.3 million in 2016 while recording a foreign exchange losses of approximately RMB42.6 million in 2015. The foreign exchange was mainly as a result of the depreciation of RMB that contributed to the appreciation of the value of the Group's HK$ bank balances and cash.

Change in Fair Value of Investment Properties upon Transfer from Inventories of Properties to Investment Properties

The Group's change in fair value of investment properties upon transfer from inventories of properties to investment properties decreased to approximately RMB337.8 million in 2016 from approximately RMB423.7 million in 2015. The decrease by approximately 20.3% was mainly attributable to more property investments were completed during the year in 2015 which enables their values to reflex the market value.

Distribution and Selling Expenses

The distribution and selling expenses decreased to approximately RMB130.2 million in 2016 from approximately RMB130.9 million in 2015. The decrease by approximately 0.5% was mainly attributable to a decrease in advertising and promotion expenses in 2016.

Administrative Expenses

The Group's administrative expenses increased by approximately 34.6% to approximately RMB89.9 million in 2016 from approximately RMB66.8 million in 2015, which was mainly attributable to the listing fee and expenses incurred for the issuance of public offering bonds.

Other Expenses

The Group's other expenses decreased to approximately RMB15.7 million in 2016 from approximately RMB32.7 million in 2015. The decrease of approximately 52.0% was mainly due to decrease of compensation expenses arising from delay of delivery of properties to purchasers.

Finance Costs

The Group's finance costs increased to approximately RMB64.9 million in 2016 from approximately RMB47.9 million in 2015. The increase of approximately 35.6% was mainly due to an increase in bank borrowings, which were not borrowed specifically for property development purpose.

Income Tax Expense

The Group's income tax expense increased to approximately RMB660.7 million in 2016 from approximately RMB198.1 million in 2015. The increase of approximately 233.5% was mainly due to an increase in profit before taxation, leading to an increase in taxable profit.

Profit and Total Comprehensive Income attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by approximately 188.9% to approximately RMB811.2 million in 2016 from approximately RMB280.7 million in 2015.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2016, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB1,416.4 million (as at 31 December 2015: approximately RMB884.9 million), representing an increase of approximately 60.1% as compared to that as at 31 December 2015. As at 31 December 2016, bank deposits of approximately RMB107.6 million (as at 31 December 2015: approximately RMB617.4 million) are pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB305.4 million (as at 31 December 2015: approximately RMB211.4 million) in 2016 that are restricted for use in specific property development projects.

Borrowings and the Group's Pledged Assets

As at 31 December 2016, the Group had bank and other borrowings of approximately RMB5,700.1 million (as at 31 December 2015: approximately RMB6,136.7 million). Amongst the borrowings, approximately RMB3,385.6 million (as at 31 December 2015: approximately RMB3,060.2 million) will be repayable within one year and approximately RMB2,314.4 million (as at 31 December 2015: approximately RMB3,076.4 million) will be repayable after one year.

As at 31 December 2016, bank and other borrowings of approximately RMB5,668.7 million (as at 31 December 2015: approximately RMB5,535.7 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2016, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB10,721.8 million (as at 31 December 2015: approximately RMB9,467.1 million).

Senior Notes

In September 2016, the Company issued senior secured notes with a principal amount of US$100,000,000 due in 2018 (the "Senior Notes") which are listed on the Stock Exchange (Stock Code: 4329). The Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, will mature in September 2018.

The Group may at any time redeem the Senior Notes, in whole or in part, at any time and from time to time on or after 15 September 2017, at a redemption price equal to 105% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Group must make an offer to repurchase all Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event or a delisting event as defined in the offering circular. In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

Net Gearing Ratio

The net gearing ratio of the Group improved significantly, the ratio dropped significantly from 380.5% as at 31 December 2015 to 150.2% as at 31 December 2016. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings and deposits paid for a life insurance policy, the Group does not have any other material direct exposure to foreign exchange fluctuations. In 2016, though the exchange rates of RMB against U.S. dollar and Hong Kong dollar decreased, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. During 31 December 2016, the Group considers that no foreign exchange hedging arrangement is needed currently.

Commitments

As at 31 December 2016, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB3,696.9 million (as at 31 December 2015: approximately RMB4,047.7 million).

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees amounting to approximately RMB3,376.4 million (as at 31 December 2015: approximately RMB2,475.0 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2016 as the possibility of default by the purchasers of the Group's properties is remote.

Material Acquisitions and Disposals

In 2016, the Group completed the acquisition of the entire equity interest in Yangzhou Xiangjiang from an independent third party which holds one land parcel located in Yangzhou. Please refer to the Company's announcement dated 13 April 2016 for further details.

Also, the Group completed the acquisition of the entire equity interest in Hengli Property from independent third parties which hold the Nantong lands. Please refer to the Company's announcement dated 17 October 2016 for further details.

In addition, Yangzhou Xiangjiang has successfully won a bidding in respect of the state-owned construction land use right of Land Plot 2016G13. Please refer to the Company's announcement dated 30 December 2016 for further details.

Save as disclosed in the above announcements, the Group did not have any material acquisitions and disposals during the year ended 31 December 2016.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be mainly funded by internal resources and external borrowings. Save as disclosed in the Announcements and the above-mentioned, the Group did not have any future plans for material investments as at the date of this annual report.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2016, the Group had approximately 498 employees (as at 31 December 2015: 430 employees). For the year ended 31 December 2016, the Group incurred employee costs of approximately RMB41.2 million (as at 31 December 2015: approximately RMB36.5 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as an incentive for eligible employees.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Shum Tin Ching (沈天晴), aged 58, is the chairman of the Board, the non-executive Director, the chairman of the Nomination Committee of the Company and the founder of the Group. He was appointed as a Director on 5 May 2015 and designated as the non-executive Director on 27 July 2015 for the purposes of enhancing management independence and corporate governance. Mr. Shum's principal responsibilities include overall strategic planning of the Group, and he will not participate in the day-to-day management of the business operations of the Group. Mr. Shum graduated from Zhejiang Broadcasting and Television College* (浙江廣播電視大學) and obtained a diploma in Industrial Enterprise Management in December 1986. He was recognised as a senior economist by Human Resource Department of Zhejiang Province* (浙江省人事廳) in December 2006. Mr. Shum has approximately 21 years of experience in the industry of real estate development. In 1995, he founded Jia Yuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) ("Jia Yuan Chuangsheng") (formerly known as Jiaxing Zujia Property Development Co., Ltd.* (嘉興足佳房地產開發有限公司)), a company principally engaged in property development in Jiaxing, Zhejiang Province, and has acted as a director of Jia Yuan Chuangsheng since April 1995. Mr. Shum is currently an executive director of Boyuan Holdings Limited (Stock Code: BHL), which was listed on the Australian Securities Exchange on 31 October 2016. Mr. Shum is also the sole director of the Company's controlling shareholder, Mingyuan Group Investment Limited ("Mingyuan Investment") since 4 May 2015.

EXECUTIVE DIRECTORS

Mr. Huang Fuqing (黃福清), aged 55, is the vice chairman of the Board and an executive Director. He was appointed as an executive Director on 27 July 2015 and the vice chairman of the Board on 19 August 2016. He is primarily responsible for (i) overseeing the day-to-day operation and overall management of the Group, and (ii) the Group's real estate development projects located in Jiangsu Province. Mr. Huang has approximately 18 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") since December 2014 and the general manager of Nanjing Xinhaoning Property Development Co., Ltd.* (南京新浩寧房地產開發有限公司) since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan Property Development Co., Ltd.* (常州金源房地產開發有限公司) ("Changzhou Jinyuan"). He worked in Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group") from January 2011 till he resigned from the position of the executive general manager in December 2014. Mr. Huang also participated in the preparation for and was responsible for the day-to-day management of Zijin Mansion, the Group's property development project in Nanjing which is under development and to be completed by 2017. Formerly, Mr. Huang served as the general manager of Changzhou Tian Yu Property Development Co., Ltd.* (常州天宇房地產開發有限公司) ("Changzhou Tian Yu") from January 2010 to December 2010, the general manager of Changzhou Zhongchuang Property Development Co., Ltd.* (常州市中創房地產開發有限公司) from December 2002 to December 2009, and the manager of Changzhou City Changxin Property Development Co., Ltd.* (常州市常信房地產開發有限公司) from December 1998 to December 2002.

Ms. Cheuk Hiu Nam (卓曉楠), aged 42, is an executive Director, the Chief Executive Officer and a member of the Remuneration Committee of the Company. Ms. Cheuk was appointed as an executive Director on 27 July 2015. She is primarily responsible for overall administration and human resource of the Group. Ms. Cheuk has approximately 14 years of experience in management. Ms. Cheuk has been working as the general manager of Hong Kong Jia Yuan since January 2014. Formerly, Ms. Cheuk worked at Hong Kong Institute of Technology and took up the positions of the Dean of Faculty of Business, the Vice President, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee from February 2003 to November 2013, of which she was responsible for overall management, strategic and academic planning as well as supervising the financial matters and the human resource. Ms. Cheuk graduated from Pace University (New York) and obtained a master degree of science in June 2001. She graduated from University of London and obtained a master degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor degree in Business Administration in May 1995.

Mr. Wang Jianfeng (王建鋒), aged 49, is an executive Director. Mr. Wang was appointed as an executive Director on 27 July 2015. He is primarily responsible for strategic planning and identifying of new real estate development projects for the Group. Mr. Wang has approximately 26 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. Formerly, Mr. Wang worked as the deputy general manager of the strategic development center of Zhejiang Jia Yuan Group from June 2012 to February 2013, the general manager of Huzhou Xinyuan Construction Management Co., Ltd.* (湖州鑫源建設管理有限公司) from December 2009 to June 2012, the general manager of Jia Yuan Chuangsheng from July 2009 to November 2009, the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd.* (杭州銀溪九龍房地產開發有限公司) from 2006 to 2008, the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd.* (杭州三優房地產開發有限公司) from 1998 to the end of 2005, and the construction team leader of Shanghai Branch of Ganjianyi Company* (甘建一公司上海分公司) from 1991 to 1998. Mr. Wang graduated from Shanghai Architecture and Engineering College* (上海建築工程學院) and obtained a diploma in Industrial and Civil Architecture in September 1990.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Kwok Leung, Alexander (戴國良), aged 59, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in April 1982. He became an associate member of the Hong Kong Institute of Certified Public Accountants in October 1983.

Mr. Tai has been working as a director of Investec Capital Asia Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities since August 2007.

Mr. Tai is an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit committee of Anhui Conch Cement Company Limited (Stock Code: 914) and an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Luk Fook Holdings (International) Limited (Stock Code: 590), which are all listed on the Main Board of the Stock Exchange. Mr Tai was formerly a non-executive director of First Credit Finance Group Limited (Stock Code: 8215), which is listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange, from September 2010 to April 2013 and an independent non-executive director of Honghua Group Limited (Stock Code: 196), which is listed on the Main Board of the Stock Exchange, from January 2008 to March 2014.

Dr. Cheung Wai Bun, Charles (張惠彬) *JP,* aged 80, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association.

Dr. Cheung is currently working as a director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. (首都銀行(中國)有限公司). In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors, a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals (東華三院) during the period from April 1981 to March 1983.

Dr. Cheung is a chairman of Joy Harvest International Limited. He was formerly a director and supervisor of audit committee of China Resources Bank of Zhuhai Co. Ltd., from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (Stock Codes: 2727 (Hong Kong) and A Stock 601727 (Shanghai)), which is listed on the Main Board of the Stock Exchange and Shanghai Stock Exchange, from April 2005 to February 2014. He is also an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Universal Technologies Holdings Limited (Stock Code: 1026), China Financial International Investments Limited (Stock Code: 721) and Modern Dental Group Limited (Stock Code: 3600), which are all listed on the Main Board of the Stock Exchange. Dr. Cheung is a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which is listed on the Main Board of the Stock Exchange. Dr. Cheung is an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), which is listed on the GEM of the Stock Exchange. Dr. Cheung was formerly an independent non-executive director and chairman, subsequently Co-chairman of the board of Grand T G Gold Holdings Limited (Stock Code: 8299), which is listed on the GEM of the Stock Exchange, from July 2009 to March 2016. He possesses extensive banking, finance and commercial experiences.

Mr. Gu Yunchang (顧雲昌), aged 72, was appointed as an independent non-executive Director on 12 February 2016 and is a member of the Audit Committee and Nomination Committee of the Company. Mr. Gu was the vice chairman of the China Real Estate Research Association* (中國房地產研究會) from 2006 to May 2013 and the vice chairman and secretary-general of the China Real Estate Association* (中國房地產業協會) from 1998 to 2006.

Mr. Gu formerly held different positions of the Ministry of Construction of the PRC (中華人民共和國建設部), including the deputy director at the Policy Research Centre of Ministry of Construction of the PRC* (中華人民共和國建設部政策研究中心) from December 1988 to July 1998, the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction* (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively.

Mr. Gu graduated from Tongji University (同濟大學) and specialised in Urban Planning in July 1966. Mr. Gu specialises in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited (Stock Code: EJ), which is listed on the New York Stock Exchange, from August 2008 to March 2014 and an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (Stock Code: 3377), which is listed on the Main Board of the Stock Exchange, from June 2007 to March 2016. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (Stock Code: 884) and Sunshine 100 China Holdings Ltd. (Stock Code: 2608), which are all listed on the Main Board of the Stock Exchange. Mr. Gu is also an independent non-executive director of COFCO Property (Group) Co., Ltd. (Stock Code: 31) and Zhejiang Yasha Decoration Co., Ltd. (Stock Code: 2375), which are all listed on the Shenzhen Stock Exchange.

SENIOR MANAGEMENT

Mr. Shen Hongjie (沈宏杰), aged 34, is the general manager of Taixing Guangyuan Property Development Co., Limited (泰興市廣源房地產開發有限公司) ("Taixing Guangyuan") since August 2015 and the general manager of Suqian Jia Yuan Property Development Co., Ltd.* (宿遷市佳源房地產開發有限公司) ("Suqian Jia Yuan"), and has been involved in the Group's business since December 2005. He is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Suqian, Jiangsu Province. Mr. Shen has approximately 11 years of experience in the industry of real estate development. He has been working as the general manager of Suqian Jia Yuan since March 2014. He served as the general manager of Siyang Fengyuan Property Development Co., Ltd.* (泗陽豐源房地產開發有限公司) ("Siyang Fengyuan") from April 2013 to March 2014 and the deputy general manager of Siyang Fengyuan from February 2012 to April 2013. Mr. Shen also participated in the preparation for and was responsible for the day-to-day management of the following property development projects in Suqian and Siyang: (i) Suqian Park Number One (under development and to be completed by 2016); (ii) Paris Metropolis (under development and to be completed by 2017); and (iii) Rome Metropolis (under development and to be completed by 2020). Formerly, Mr. Shen worked as the deputy general manager of Jiaxing Jindi Property Development Co., Ltd.* (嘉興市金地房地產置業有限公司), a company controlled by Mr. Shum Tin Ching from time to time which is principally engaged in real estate development, from October 2011 to February 2012, and worked at Zhejiang Jia Yuan Group from December 2005 to October 2011. Mr. Shen graduated from Jiaxing College* (嘉興學院) and obtained a bachelor degree in Human Resource Management in June 2006. Mr. Shen was recognised by Jiaxing Human Resource Bureau* (嘉興市人事局) as an assistant economist in April 2006.

Mr. Yuan Zhaolin (袁兆林), aged 46, is the general manager of Hengli Property Nantong Limited (恒力房地產南通有限公司) since June 2016 and the general manager of Yangzhou Mingyuan Property Development Co., Ltd.* (揚州明源房地產開發有限公司) ("Yangzhou Mingyuan"), and has been involved in the Group's business since April 2009. He is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Yangzhou, Jiangsu Province.

Mr. Yuan has approximately 13 years of experience in the industry of real estate development. He took up the position of assistant general manager and deputy general manager of Yangzhou Mingyuan from April 2009 to August 2011 and from August 2011 to January 2013, respectively. Mr. Yuan was subsequently promoted to the position of general manager of Yangzhou Mingyuan in January 2013 and has since acted as the general manager of Yangzhou Mingyuan. Mr. Yuan also participated in the preparation for and was responsible for the day-to-day management of the following property development projects in Yangzhou: (i) Jiayuan Centurial Garden (completed in 2012);and (ii) Jiayuan Centurial Villa (under development and to be completed by 2015). Formerly, Mr. Yuan worked as the deputy general manager and was subsequently promoted to the position of general manager of Yangzhou Changxin Real Estate Development Co., Ltd.* (揚州常信房地產開發有限公司), a property developer in China, during the period from January 2003 to April 2009. He worked as an officer in Jiangdu City Affordable Housing Development Center* (江都市經濟適用房發展中心) in 2001. Mr. Yuan graduated from Yangzhou University (揚州大學) with a diploma in Housing Architecture and Engineering in June 1995. He was recognised by Yangzhou Municipal Review Committee of Middle Level Technological Qualification in Construction and Engineering* (揚州市建設工程中級專業技術資格評委員) as an engineer in November 2002.

Ms. Gao Yan (高豔), aged 42, is the general manager of Yangzhou Xiangjiang New City Centre Property Limited (揚州香江新城市中心置業有限公司) since June 2016 and the general manager of Taixing Guangyuan, and has been involved in the Group's business since July 2003. Ms. Gao is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taixing, Jiangsu Province. Ms. Gao also acts as a director of Yangzhou Hengyuan Property Development Co., Ltd.* (揚州市恒源房地產開發有限公司) ("Yangzhou Hengyuan") (formerly known as Jiangdu Hengyuan Property Development Co., Ltd.* (江都市恒源房地產開發有限公司)) and Taixing Guangyuan, respectively.

Ms. Gao has approximately 13 years of experience in the industry of real estate development. She has been working as the general manager of Taixing Guangyuan since February 2014 and the general manager of Taixing Hengyuan Property Development Co., Ltd.* (泰興市恒源房地產開發有限公司) ("Taixing Hengyuan") from August 2013 to February 2014. Ms. Gao also participated in the preparation for and was responsible for the day-to-day management of the following property development projects in Yangzhou and Taixing: (i) Jiayuan Centurial Scenery Park (completed in 2012); (ii) Venice Metropolis (under development and to be completed by 2022); and (iii) Jiayuan New Word (under development and to be completed by 2018). Formerly, Ms. Gao worked as the finance manager and the general manager of Yangzhou Hengyuan from July 2007 to August 2012 and the finance manager of Yangzhou Guangyuan Property Development Co., Ltd.* (揚州廣源房地產開發有限公司) ("Yangzhou Guangyuan") (formerly known as Jiangdu Guangyuan Property Development Co., Ltd.* (江都市廣源房地產開發有限公司)) from July 2003 to June 2007.

Ms. Gao graduated from Jiangsu Broadcasting and Television College* (江蘇廣播電視大學) and obtained a diploma in Finance and Accounting in July 1994. She has been recognised by the Ministry of Finance of the PRC as an intermediate accountant since September 2003.

Ms. Qiu Xiangming (邱祥明), aged 40, is the general manager of Changzhou Jinyuan, and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province. Ms. Qiu has approximately 13 years of experience in the industry of real estate development. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in Changzhou which is under development and to be completed by 2017. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.* (常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009. Ms. Qiu graduated from Changzhou Institute of Technology* (常州工學院) and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Finance Department of the PRC since May 2006.

Mr. Siu Leung Wah (**蕭亮華**), aged 41, was appointed as the financial controller of the Group in October 2016. Mr. Siu is mainly responsible for the financial management, investor relations and regulatory compliance matters of the Group.

Mr. Siu has over 16 years of working experience in accounting, financial management, corporate finance and corporate governance specializing in property development industry. Prior to joining the Group, he had held various senior management positions in Hong Kong listed property development groups. He worked as the group financial controller of Agile Group Holdings Limited (Stock Code: 3383), a company listed on the Main Board of the Stock Exchange, from June 2015 to May 2016. During the period, he was responsible for overseeing the financial reporting, capital markets activities and tax planning of the group. Mr. Siu also worked as the financial controller of the Northern China city of The Wharf (Holdings) Limited (Stock Code: 0004), a company listed on the Main Board of the Stock Exchange, from April 2013 to June 2015. During which, he was responsible for financial control, treasury and day-to-day real estate project management of the joint venture companies invested by both the Wharf Group and Greentown China Holdings Limited (Stock Code: 3900), a company listed on the Main Board of the Stock Exchange.

Mr. Siu is a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a master degree of Corporate Finance from The Hong Kong Polytechnic University in October 2011. Prior to that, he graduated from The City University of Hong Kong with a bachelor degree of Business Administration in Accountancy in November 2000.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the change in information of Director of the Company subsequent to the date of the Company's 2016 Interim Report, is set out below:

Mr. Shum Tin Ching has been an executive director of Boyuan Holdings Limited since 22 October 2015, the shares of which were listed on the Australian Securities Exchange on 31 October 2016 (Stock Code: BHL).

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

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in China. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 8 to 18 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

Reference is made to the Company's announcement dated 28 March 2017 regarding the final results for the year ended 31 December 2016. As set out in the said announcement, the Company's annual general meeting (the "Annual General Meeting") was originally scheduled to be held on Thursday, 8 June 2017. Due to the rearrangement of the venue, the date of the Annual General Meeting has been re-scheduled to Monday, 12 June 2017 at 10:00 a.m..

Accordingly, the period of closure of the register of members of the Company for the purpose of determining the entitlement to attend and vote at the Annual General Meeting is changed to Wednesday, 7 June 2017 to Monday, 12 June 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 6 June 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 152 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2016 are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2016 are set out in note 14 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2016 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of share premium amounted to RMB1,020.4 million less accumulated losses amounted to RMB53.5 million and they are subject to a solvency test.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2016 or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of revenue attributable to the Group's five largest customers were less than 30% of the total purchases and total revenue of the Group respectively.

None of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year ended 31 December 2016 and up to the date of this report were:

Chairman and non-executive Director:

Mr. Shum Tin Ching

Executive Directors:

Mr. Huang Fuqing (appointed as Vice Chairman on 19 August 2016)
Ms. Cheuk Hiu Nam *(Chief Executive Officer)*
Mr. Wang Jianfeng

Independent non-executive Directors:
Mr. Tai Kwok Leung, Alexander (appointed on 12 February 2016)
Dr. Cheung Wai Bun, Charles, *JP* (appointed on 12 February 2016)
Mr. Gu Yunchang (appointed on 12 February 2016)

In accordance with Article 84 of the Articles of Association of the Company, Mr. Wang Jianfeng, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang shall retire at the Annual General Meeting of the Company. All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 19 to 24 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2016.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 12 February 2016 for a term of three years commencing from the Listing Date, and such service agreements may be terminated in accordance with the terms of the service agreements.

Each of the non-executive Director and independent non-executive Directors was appointed to the Board pursuant to their respective letters of appointment dated 12 February 2016, for an initial term of three years commencing from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Saved as disclosed herein, no Director proposed for re-election at the forthcoming Annual General Meeting of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to their respective service agreements, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a bonus of such amount as the Board may determine in respect of each complete financial year of the Company.

Each of the non-executive Director and independent non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. Save for director's fee, each of the non-executive Director and independent non-executive Directors is not expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director respectively.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2016 are set out in note 11 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the three independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group"). Mr. Shum Tin Ching entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. Since the Listing Date and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2016 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HK$0.01 each (the "Shares") of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon 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 Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 9.6% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[4]
Mr. Shum Tin Ching[2]	Interest of a controlled corporation	1,350,000,000[3] shares (L)	72.29%

Notes:

(1) The letter "L" denotes the Director's long position in the shares of the Company.

(2) The disclosed interest represents the interest in the Company held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company.

(3) On 19 December 2016, Mingyuan Investment entered into a share charge agreement with CTI Capital Management Limited, pursuant to which, Mingyuan Investment has agreed to pledge 280,000,000 shares out of 1,350,000,000 shares held by it in favour of CTI Capital Management Limited as one of the securities for a term loan granted by CTI Capital Management Limited to an Australian company with majority shares indirectly owned by Mr. Shum Tin Ching.

(4) As at 31 December 2016, the total number of issued shares of the Company was 1,867,500,000.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Number of shares or securities held[1]	Percentage of shareholding
Mr. Shum Tin Ching	Beneficial owner	1 share (L)	100%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware as of 31 December 2016, the following persons (other than the Directors or chief executive of the Company) and had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[(1)]	Percentage of interest in the Company[(7)]
Ms. Wang Xinmei[(2)]	Interest of spouse	1,350,000,000[(4)] shares (L)	72.29%
Mingyuan Investment[(3)]	Beneficial owner	1,350,000,000[(4)] shares (L)	72.29%
CTI Capital Management Limited[(5)]	Person having a security interest in shares	280,000,000 shares (L)	14.99%
CITIC Trust Co., Ltd.[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
CITIC Industrial Investment Group Corp., Ltd.[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
CITIC Corporation Limited[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
CITIC Limited[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
CITIC Glory Limited[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
CITIC Polaris Limited[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
CITIC Group Corporation[(5)]	Interest of a controlled corporation	280,000,000 shares (L)	14.99%
China Orient Asset Management Corporation[(6)]	Interest of a controlled corporation	142,100,000 shares (L)	7.61%
China Orient Asset Management (International) Holding Limited[(6)]	Beneficial owner	142,100,000 shares (L)	7.61%
Wise Leader Assets Ltd.[(6)]	Interest of a controlled corporation	142,100,000 shares (L)	7.61%
Dong Yin Development (Holdings) Limited[(6)]	Interest of a controlled corporation	142,100,000 shares (L)	7.61%

Notes:

(1) The letter "L" denotes a person's/an entity's long position in the shares.

(2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.

(3) These shares are held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching.

(4) On 19 December 2016, Mingyuan Investment entered into a share charge agreement with CTI Capital Management Limited, pursuant to which, Mingyuan Investment has agreed to pledge 280,000,000 shares out of 1,350,000,000 shares held by it in favour of CTI Capital Management Limited as one of the securities for a term loan granted by CTI Capital Management Limited to an Australian company with majority shares indirectly owned by Mr. Shum Tin Ching.

(5) Based on the public records, these security interest in shares are held by CTI Capital Management Limited, which is a wholly-owned subsidiary of CITIC Trust Co., Ltd.. CITIC Trust Co., Ltd. is owned as to 80% by CITIC Corporation Limited and as to 20% by CITIC Industrial Investment Group Corp., Ltd.. CITIC Industrial Investment Group Corp., Ltd. is a wholly-owned subsidiary of CITIC Corporation Limited, which is in turn a wholly-owned subsidiary of CITIC Limited. CITIC Limited is owned as to 32.53% by CITIC Polaris Limited and as to 25.60% by CITIC Glory Limited. Both CITIC Polaris Limited and CITIC Glory Limited are wholly-owned subsidiaries of CITIC Group Corporation.

(6) Based on the public records, these shares are held by China Orient Asset Management (International) Holding Limited, which is owned as to 50% by Wise Leader Assets Ltd. and as to 50% by Dong Yin Development (Holdings) Limited. Wise Leader Assets Ltd. is a wholly-owned subsidiary of Dong Yin Development (Holdings) Limited, which is in turn a wholly-owned subsidiary of China Orient Asset Management Corporation.

(7) As at 31 December 2016, the total number of issued shares of the Company was 1,867,500,000.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions with related parties during the year ended 31 December 2016 which constituted connected transactions or continuing connected transactions of the Group, details of which are set out in notes 16 and 41 to the consolidated financial statements.

During the year, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and will continue after the Listing. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The historical transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2016 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for Year Ended 31 December 2016 RMB'000
Exempt continuing connected transactions		
1. Jin Jiang Investment Limited[(1)]	License of trademarks to the Company	–
2. Zhejiang Jia Yuan Property Group Co., Ltd.[(2)]	License of trademarks to the Company	–
3. Changzhou Tian Yu Property Development Co., Ltd.[(3)]	Lease of office space	**100**
Non-exempt continuing connected transactions		
4. Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu")[(4)]	Procurement of intelligent system equipment	**9,072**
5. Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu")[(4)]	Procurement of intelligent system equipment	**907**
6. Jiaxing City Boyuan Architecture Design Co., Ltd. ("Jiaxing Boyuan")[(5)]	Provision of architectural design service	**12,279**
7. Zhejiang Jia Yuan Property Management Co., Ltd. ("Jia Yuan Property")[(6)]	Provision of property management service	**9,318**

Notes:

(1) Jin Jiang Investment Limited, a company incorporated under the laws of Hong Kong with limited liability on 8 November 2013, which is directly owned by Mr. Shum Tin Ching as to 100%.

(2) Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司), a company established under the laws of the PRC with limited liability on 29 March 2004, which is ultimately owned by Mr. Shum Tin Ching as to 100%.

(3) Changzhou Tian Yu Property Development Co., Ltd.* (常州天宇房地產開發有限公司), a company established under the laws of the PRC with limited liability on 3 March 2010, which is owned as to 30%, 20%, 12% and 38% by Mr. Huang Fuqing (vice chairman of the Board and an executive Director), Ms. Qiu Xiangming (a member of the senior management), Mr. Su Chunyun (an independent third party) and Changzhou Xintou Commercial Trading Co., Ltd.* (常州新投貿易有限公司) (an independent third party), respectively.

(4) Zhejiang Xigu is a company indirectly controlled by Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching. Jiaxing Deyu is a wholly-owned subsidiary of Zhejiang Xigu. Both of Zhejiang Xigu and Jiaxing Deyu are principally engaged in the manufacture, installation and sale of software and system equipment.

In 2015, the Group entered into intelligent system equipment procurement agreements and purchased a variety of intelligent system equipment including security monitoring equipment, video intercom system, access control equipment and alarm system for some of the Group's property development projects.

On 12 February 2016, the Company entered into an intelligent system equipment procurement framework agreement with Zhejiang Xigu and Jiaxing Deyu to govern the procurement of intelligent system equipment by the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual cap for the year ended 31 December 2016 was RMB26.3 million. The annual caps for the two years ending 31 December 2017 and 2018 will be approximately RMB26.2 million and RMB13.3 million, respectively.

(5) Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum Tin Ching and is principally engaged in project design and decoration.

In 2015, the Group engaged Jiaxing Boyuan for providing the Group with architecture design service for some of the Group's property development projects including (i) formulating the proposal, the preliminary design plan and the construction plan; and (ii) supervising the implementation of relevant design plan and construction plan for projects under construction.

On 12 February 2016, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan to govern the provision of architecture design service by Jiaxing Boyuan to the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual cap for the year ended 31 December 2016 was RMB59.1 million. The annual caps for the two years ending 31 December 2017 and 2018 will be approximately RMB39.7 million and RMB31.4 million, respectively.

(6) Jia Yuan Property is a company indirectly wholly-owned by Mr. Shum Tin Ching and is principally engaged in property management.

In 2015, the Group engaged Jia Yuan Property for providing the Group with pre-delivery property management service including property maintenance, site security, gardening, cleaning and other ancillary services for all of the Group's property management projects prior to the establishment of an owners' committee of the relevant buildings developed by the Group.

On 12 February 2016, the Company entered into a property management service framework agreement with Jia Yuan Property to govern the provision of property management service by Jia Yuan Property to the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual cap for the year ended 31 December 2016 was RMB17.0 million. The annual caps for the two years ending 31 December 2017 and 2018 will be approximately RMB18.3 million and RMB20.7 million, respectively.

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors further confirmed that the annual caps in respect of the above continuing connected transactions as disclosed in the Prospectus are fair and reasonable and in the interests of the Company and its shareholders as a whole.

* *For identification purpose only*

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

EMOLUMENT POLICY

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

None of the Directors waived any emoluments during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In September 2016, the Company issued Senior Notes with principal amount of US$100,000,000 due in 2018, which are listed on the Stock Exchange and with interest rate of 9.75% per annum. Further details are set out in note 28 to the consolidated financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 December 2016.

DONATIONS

During the year, the Group made charitable and other donations amounting to RMB932,000.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND THE ISSUE OF THE OVER-ALLOTMENT SHARES

The total net proceeds from the Listing amounted to approximately HK$1,216.7 million after consideration of over-allotment of approximately HK$167.4 million, which has been fully utilised in accordance with the proposed application set out in the section headed "Future plans and use of proceeds" in the Prospectus.

The additional net proceeds from the issue of the over-allotment shares after deducting the underwriting fees and commissions, transaction levy and trading fee relating to the exercise of the over-allotment option has been fully used by the Company on a pro rata basis for the purposes as set out in the section headed "Future plans and use of proceeds" in the Prospectus.

The Company did not apply any net proceeds for the purposes other than those disclosed in the Prospectus during the period from the Listing Date to 31 December 2016.

AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 37 to 45 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date and up to 31 December 2016.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Messrs. Deloitte Touche Tohmatsu who shall retire at the Annual General Meeting. A resolution will be proposed at the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Shum Tin Ching
Chairman

Hong Kong, 28 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the period from the Listing Date to 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding Directors' dealings in the securities of the Company.

The Company, after seeking specific inquire to all Directors, confirmed that all of them have complied with the required standards in the Model Code throughout the period from the Listing Date to 31 December 2016.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the period from the Listing Date to 31 December 2016.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises the following Directors:

Chairman and non-executive Director:

Mr. Shum Tin Ching *(chairman of Nomination Committee)*

Executive Directors:

Mr. Huang Fuqing (appointed as Vice Chairman on 19 August 2016)
Ms. Cheuk Hiu Nam *(Chief Executive Officer and member of Remuneration Committee)*
Mr. Wang Jianfeng

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander (appointed on 12 February 2016)
(chairman of Audit Committee and member of Remuneration Committee)
Dr. Cheung Wai Bun, Charles, *JP* (appointed on 12 February 2016)
(chairman of Remuneration Committee and member of Audit Committee and Nomination Committee)
Mr. Gu Yunchang (appointed on 12 February 2016)
(member of Audit Committee and Nomination Committee)

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 19 to 24 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Shum Tin Ching and Ms. Cheuk Hiu Nam respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the period from the Listing Date to 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

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

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive 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 Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the period from the Listing Date to 31 December 2016, the Company organized two training sessions for all Directors. Such training sessions covered a wide range of relevant topics including directors' duties and responsibilities etc.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the period from the Listing Date to 31 December 2016 are summarized as follows:

Directors	Type of Training [Note]
Non-executive Director	
Mr. Shum Tin Ching	A
Executive Directors	
Mr. Huang Fuqing	A
Ms. Cheuk Hiu Nam	A
Mr. Wang Jianfeng	A
Independent non-executive Directors	
Mr. Tai Kwok Leung, Alexander	A
Dr. Cheung Wai Bun, Charles, *JP*	A, B
Mr. Gu Yunchang	A, B

Note:
Types of Training
A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the period from the Listing Date to 31 December 2016.

The attendance record of each Director at the Board and Board Committee meetings and the annual general meeting of the Company held during the period from the Listing Date to 31 December 2016 is set out in the table below:

Name of Director	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Shum Tin Ching *(Note 1)*	4/4	N/A	N/A	1/1	1/1
Huang Fuqing	3/4	N/A	N/A	N/A	1/1
Cheuk Hiu Nam	4/4	N/A	1/1	N/A	1/1
Wang Jianfeng	4/4	N/A	N/A	N/A	1/1
Tai Kwok Leung, Alexander *(Note 2)*	4/4	2/2	1/1	N/A	1/1
Cheung Wai Bun, Charles, *JP* *(Note 3)*	4/4	2/2	1/1	1/1	1/1
Gu Yunchang	3/4	2/2	N/A	1/1	1/1

Notes:

1. Chairman of the Board and chairman of Nomination Committee.
2. Chairman of Audit Committee.
3. Chairman of Remuneration Committee.

None of the meetings set out above was attended by any alternate Director.

Besides the annual general meeting held on 10 June 2016, no other general meeting was held during the period from the Listing Date to 31 December 2016.

Audit Committee

The Company established the Audit Committee on 12 February 2016. The Audit Committee consists of three independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Board has also delegated the corporate governance duties to the Audit Committee for performing the functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2016, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, arrangements for employees to raise concerns about possible improprieties, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Company's corporate governance report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Company established the Remuneration Committee on 12 February 2016. The Remuneration Committee consists of three members, namely Ms. Cheuk Hiu Nam, Mr. Tai Kwok Leung, Alexander and Dr. Cheung Wai Bun, Charles, *JP*, and the majority of them are independent non-executive Directors. Dr. Cheung Wai Bun, Charles, *JP* is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Details of the remuneration of the senior management by band are set out in note 11 in the Notes to the Consolidated Financial Statements for the year ended 31 December 2016.

Nomination Committee

The Company established the Nomination Committee on 12 February 2016. The Nomination Committee consists of three members, namely Mr. Shum Tin Ching, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, Mr. Shum Tin Ching is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy and directors' nomination procedures, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including regulation management work guideline (規範管理工作指引), strategic investment work guideline (戰略投資工作指引), operation management work guideline (運營管理工作指引), sales management work guideline (營銷管理工作指引), business management work guideline (商業管理工作指引), accounting and finance work guideline (財務資金工作指引), human resources and administration work guideline (人事行政工作指引) and internal audit work guideline (審計監察工作指引).

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the period from the Listing Date to 31 December 2016.

The internal audit department of the Company is responsible for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, of the Company during the period from the Listing Date to 31 December 2016, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed an inside information policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 52 to 58 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 amounted to RMB2,100,000 and RMB930,000 respectively.

An analysis of the remuneration paid or payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit services	**2,100**
Non-audit services	
– Interim review fee	**330**
– Senior notes issuance related fee	**600**
Total	**3,030**

COMPANY SECRETARY

Mr. Wan Siu Keung resigned as the company secretary of the Company on 14 October 2016. The Company has engaged Tricor Services Limited, external service provider, and Ms. Wong Tak Yee of Tricor Services Limited has been appointed as the company secretary of the Company since 14 October 2016. The primary contact person of the Company is Ms. Cheuk Hiu Nam, the Chief Executive Officer and an executive Director.

All Directors have access to the advice and services of the company secretary of the Company on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1403, 9 Queen's Road Central, Hong Kong
(For the attention of the Board of Directors)
Fax: (852) 3951 8899
Email: info@hkjiayuan.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the sole shareholder of the Company passed on 12 February 2016, the second amended and restated Memorandum of Association of the Company was adopted with effect from 12 February 2016 and the second amended and restated Articles of Association of the Company were adopted with effect from the Listing Date.

The second amended and restated Memorandum and Articles of Association of the Company are available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Jiayuan International Group Limited is an established property developer of residential complex projects and commercial complex projects in various cities across China. The Company strives to integrate educational value, leisure value and commercial value into the development projects to provide a high level of convenience and enjoyment to customers. We believe the development projects of the Group are very popular among our customers.

The Group's core businesses are to develop properties for sale and properties retained for leasing purpose, sticking to our spirits of pursuing quality. "Quality Brightens Up Life" is the Company's cornerstone of corporate culture that guides our every future step. As one of the largest property developers in Jiangsu Province, the Company applies the development principle of "Quality Brightens Up Life" into every aspect of the operation.

The Group attaches great importance to the interests of employees, customers, communities, environment and suppliers, for whom the Group strives to create values in order to promote sustainable business development and growth of the Group. We create values in ways including provision of premium products and service to customers and creation of better returns for shareholders. Meanwhile, we launch various plans and measures of corporate social responsibility to construct a better home for peoples.

As a responsible corporate citizen, the Company minimizes the impact of our business on the environment through various methods, including the procurement of materials that are in line with our sustainable development, the adoption of green technology, the application of effective waste management measures and the adoption of energy saving and emission reduction measures.

During the period under review, the Group recorded a considerable contracted property sales, representing the trust by customers on the Group's products and services. We continue to raise the quality of investment property to cater for changing needs of tenants and customers. Moreover, we actively communicate with different stakeholders, with an emphasis on customers' opinions and needs that we value. The relevant information helps us formulate strategies to ensure the stable development of our business and the communities.

Moreover, human resources are crucial to the ongoing development of the Group's business and even the whole society. We actively train talented employees in order to provide better products and services to customers. The Group has extensive plans on employee training and development in place, promoting balance between work and life to help employees achieve sustainable development and growth.

A. ENVIRONMENTAL PROTECTION

A1. Emission reduction

The Group attaches great importance to environmental protection and has formulated relevant policies for gas, sewage and waste reduction in line with local regulations. It also strictly enforces the relevant national and local laws and regulations and spares no effort in environmental protection. Due to the nature of property development, which is the main business of the Group, the operating process does not involve emission of significant amount of industrial exhaust gases, while the main gas emissions are originated from the operation of large construction machinery in the construction site. Accordingly, the Group has developed stringent monitoring measures to closely monitor the emissions of large construction machinery, so as to ensure the compliance of emission index of the resulted greenhouse gases or exhaust gases with the local regulations.

In addition, since a great quantity of marketing leaflets or related materials will be produced in the promotion of new properties, the Group actively uses environmentally friendly materials, with proper treatment after the use as well. Recycling is conducted as far as possible to avoid squander and excessive waste. The measures taken by the Group for environmental protection have hitherto been very effective.

A2. Use of resources

The use of resource is another keynote of the Group in environmental protection, under which relevant measures have been formulated in accordance with local regulations and standards. The use of various resources for property construction projects is strictly stipulated to meet the estimation in the early stage and waste of resources is absolutely prohibited.

At the same time, the Group has actively promoted employees to work together for environmental protection by incorporating effective use of resources into the performance review, under which waste of resources by any subsidiaries, departments or individuals will affect their performance assessment. For the employees, waste of resources will be a factor affecting their promotion and year-end bonuses. Through these measures, the Group has promoted an environmental protection culture in every level among employees and environmental protection measures such as energy conservation have been fully implemented with significant outcomes.

For property development, parking area is generally located underneath the ground floor in the traditional designs. A large number of lighting has to be installed to illuminate the parking area, thus increasing the consumption of electricity and indirectly raising the carbon emission. In view of this, the Group devised new building design with a breakthrough in tradition by placing the parking lots on the ground or slightly below the ground position, as well as the introduction of indoor lighting, so that the sunlight will contribute to indoor lighting everyday, thereby reducing the consumption of electricity significantly. Meanwhile, the innovation and effort of the Group were fully affirmed by the relevant government departments. Last year, our Subsidiaries Nanjing Xinhaoning was awarded the "Year Outstanding Enterprise 2016" by The people's Government of Nanjing city, which is a great encouragement to the whole company.

A3. Environment and natural resources

The Group is committed to providing residents with a more comfortable living environment and regards it as its primary objective. As the surrounding environment is one of the foundations for this goal, the Group has actively developed relevant measures for environmental protection to reduce the impact on the environment as a whole in the course of construction.

To this end, the Group strictly controls the sound volume generated during the construction process by strict monitoring and other relevant measures to ensure that the sound volume meets the local laws and standards and will not affect the nearby residents. Meanwhile, through strict selection of building materials that have no significant impact on the environment and natural resources, as well as continuous research and development of new and quieter construction technologies and better use of environmentally friendly building materials for the sake of excellence, the Group is committed to pursuing zero pollution. On the other hand, the Group also reduces the consumption of resources by ample electronization in usage of materials and laying stress on the development of WeChat and other network platforms.

B. SOCIAL ISSUES

Employment and labour practices

B1. Employment

The Group attaches great importance to the welfare and interests of the employees and is committed to promoting a culture of open communication throughout all levels of the Company. Therefore, relevant policies have been developed with a sound internal messaging system as a platform for employees to reflect their views directly to their supervisors. At the same time, our subsidiaries are encouraged to organise sharing sessions to communicate with employees, so as to develop and implement the most suitable employment policy for the employees.

The relevant policies and measures formulated by the Group are in line with local labour regulations and are reasonable according to the circumstances of the subsidiaries, departments and employees. We established a sound performance appraisal policy taking into consideration the position, seniority, duties and other factors of the employees to determine their promotion and remuneration, so that the Company is able to set a fair and equitable rates of return to retain valuable employees and boost their productivity.

B2. Health and safety

Jiayuan International attaches great importance to the occupational safety of employees and has developed a sound policy known as "Guidelines for Safe and Civilised Construction Management" for the development of properties, under which the construction sites must strictly abide by the relevant requirements to avoid any accidents. In addition, the relevant monitoring departments must regularly examine and review the implementation of contracts by the construction units based on the "Appraisal Approach for Safe and Civilised Construction of Jiayuan", under which rigorous and scientific attitudes have been adopted in assessing various safety measures to ensure no violation or omission. The hardened area of construction sites, width and thickness of main roads are all strictly regulated, while logos, signs and layout plans must also be complete and clear as well. All safety measures and layout must be neat and properly implemented in line with standards and requirements of local district/municipal governments.

At the same time, specific construction safety protection measures have been implemented for a variety of conditions (such as working at night or in rainy season) to ensure the safety of site workers. The general contracting and sub-contracting construction units have to carry out safety management on their own, with final supervision by the Group. In addition to daily on-site inspections, the Group conducts detailed inspections on the construction projects with the person in charge of the supervision units and construction units and the safety personnel at least once a month, including the implementation of safety measures, important aspects in the site and safety measures for mechanical equipment and so on, together with recording and rating, so as to facilitate the follow-up and improvement.

The Group has been actively promoting the awareness of occupational safety among its employees. For example, its subsidiary Nanjing Xinhaoning carried out a campaign of "Cherish Life, Care about Health" in December last year, under which scientific and common knowledge on health is instilled in the seminar, so that self-help consciousness and ability of the employees in emergency was not only promoted, but their safety and health awareness are also enhanced.

B3. Development and training

The Group actively establishes a professional team by encouraging employees to participate in lifelong learning, hence enhancing their knowledge and skills. As such, various departments conduct training surveys in December each year, filling out the "Questionnaire on Enhancement of Duty Skills" according to duty skills that are in urgent need of improvement. After that, questionnaires are submitted to direct supervisors for review. Upon completion of the review, the questionnaires will be collectively gathered by the human resources administrative centre and the Group will then develop and implement training programs upon submission to the headquarters of the Group for approval. After the training courses, the Group will distribute "Assessment Form for Training Effectiveness" to assess the effectiveness of the training, allowing future improvements and provide better training in the future.

At the same time, the human resources administrative centre will select the matching mentors for the retraining staff according to the contents of the questionnaires and develop training programs with the mentors for the retraining personnel. The human resources administrative centre will be responsible for coordination and communication, as well as performing regular reviews and follow-up. In addition, the Group attaches importance to the training of management staff and requires management staff at all levels to attend trainings at least 8 hours per year, which is incorporated as one of the promotion criteria.

Since the increasingly prevailing of video teaching, the Group has specially developed a video training project in order to further improve its training management system to enhance the quality of training, under which suitable teaching videos are now being recorded for various professional positions. At the end of every year, the human resources administrative centre collects opinion from various departments for the preparation of "Adjustment and New Planning for Annual Training Video" accordingly. Meanwhile, the human resources administrative centre also conducts random checks on the learning situation of the subsidiaries from time to time to ensure effectiveness of all trainings and actively improves the contents of the courses to continuously enhance the knowledge and skills of the employees, so that they can grow together with the Company.

B4. Labour standards

The Group strictly abides by local labour laws and does not employ child labour and forced labour. The Group has developed a sound recruitment process in which candidates are required to show their credentials during interviews for checking. The identities of newly recruited staff members and their qualifications must be verified by assigned individuals before they perform any duties, so as to avoid the problems of fake identity and child labour.

Furthermore, in order to stop forced labour, the Group has developed a comprehensive monitoring and notification mechanism to ensure the proper application and compliance of relevant laws and regulations in all subsidiaries and departments. Reporting channels are established for employees to report forced labour, if any, to the relevant departments. With the implement of these effective measures, the Group has not employed any child labour or forced labour.

Operation model

B5. Supply Chain Management

The Group advocates fair and open competition and has formed long-term relationships with suppliers based on the principles of fair trade. We set high standards for our procurement and tendering procedures where all outsourced services and procurement are conducted on the sole premise of price, quality and needs. We have also promoted healthy competitions in the procurement and tendering process to encourage greater responsibilities among suppliers to fulfill their contractual obligations and other requirements. In selecting contractors and construction material suppliers, we take into consideration their commitment towards environmental protection. We do not partner with suppliers which utilize harmful materials that affect the environment.

The Group collaborate with "best fit" responsible suppliers according to its needs while adhering to fair-selection principles. All suppliers must comply with the relevant national laws and regulations and fulfill their contractual obligations. We have adopted effective monitoring systems and management-monitoring mechanisms to ensure that all suppliers are able to meet our requirements. In addition, we have also developed a comprehensive set of procedures governing the procurement of goods and services to ascertain that the procurement process strictly abides by the highest ethical standards, so as to ensure that the materials used in our products are safe and high-quality. This allows us to maintain the confidence of our customers, suppliers and the public towards the Group.

B6. Product responsibility

The Group attaches great importance to the confidentiality of the Company's records, and the information of our clients and shareholders; such information are strictly managed and stored. The use of such information must be in compliance with local laws and the relevant policies and procedures of the Group to avoid information leakage or abuse.

We require all employees to comply with the securities transaction codes and regulations in their relevant jurisdictions to ensure that our customers are legally and impartially serviced. We have formulated the "Construction Site Layout Standards for Jiayuan Group" for our construction sites; we have also implemented strict monitoring measures to ensure that the buildings we constructed adhere to safety standards. Our Design Engineering Department is responsible for monitoring the construction progress, quality and safety of foundations and substructure works, and the quality checks of the entire construction process.

In case of any quality problems surface during a building's warranty period, the property management company will contact the Company to conduct maintenance works. After confirming the issue falls within warranty coverage, the Company will complete all maintenance works within timeline period. We shall also investigate into the quality problems and identify their causes; then we shall follow up on the issue and formulate relevant monitoring and enhancement measures to prevent such problems from reoccurring.

B7. Anti-corruption

The Group upholds a high degree of integrity and ethical standards in its business operations. We believe that an honest, reliable and equitable reputation is an important commercial asset that serves as a cornerstone of the Company's long-term success. The Group strives to prevent conflicts of interest in its business course, thus it requires all employees to disclose, in written form, all details of potential conflicts of interest that they may have in the Company and submit such information to the relevant departments for approval. The Group prohibits any behaviour related to bribery and corruption as stipulated in section 9(1) of the Prevention of Bribery Ordinance. Employees are not allowed to receive any forms of benefits or gifts. In addition, employees who wish to use the Company's assets or resources for non-business purposes must have justifiable reasons and obtain prior approval.

The Group adopts an effective monitoring system and management system to closely monitor and prevent corruption and fraud in the procurement and tendering process. At the same time, we have set up reporting hotline, mailbox and e-mail address; relevant reports from these reporting channels are handled by the general manager of the Audit Monitoring Centre. If reports remain anonymous, it will hinder the Group's effort to conduct follow-up investigations, therefore, we encourage employees to report with their real names. The identity of all whistleblowers are kept confidential. The Group will thoroughly investigate the reports and take appropriate actions, including disciplinary actions, termination of employment or precautionary measures. Shall there be cases of suspected corruption or other criminal offenses, the Group will report such matters to regulatory bodies or relevant law enforcement agencies.

Contribution to the community

As always, Jiayuan International pays meticulous attention to the needs and the development of the communities in the jurisdictions where it operates. Therefore, we are committed to creating jobs in these areas and giving priority to local people in our recruitment, so as to increase the employment rate and contribute to the local community and economy. On the other hand, our devotion to corporate social responsibilities is evidenced in our active participation in charitable activities and donations, which are used to support initiatives of various social-welfare organizations.

In 2016, the amount of donation contributed by the Group totalled RMB932,000, approximately HK$1,120,000, including donations to the Hong Kong Community Chest and Mainland real estate companies to support charitable organizations, to help impoverished students and to sponsor the construction of villages. Through the various initiatives carried out by charitable organizations, we have indirectly given support to different charitable activities. Meanwhile, we have also sponsored a number of charitable activities, including the sponsorship we contributed to the Phoenix Charity Foundation to support its community works. With an aim to nurture the next generation, we acted as the title sponsor of the fifth anti-drug Christmas carnival titled "Live a Drug-Free, Brilliant Life" to promote healthy messages in schools. Concurrently, in order to promote Chinese chess the Group's branch Taizhou Jiayuan has also sponsored the local initiative "Youth Chess Competition", where gifts and prizes were generously given away.

Furthermore, we have also encouraged our staff members to work closely with the Group to care for the underprivileged in community. We have visited the Hong Kong Society for Rehabilitation and the Evangel Children's Home last year to show our care to the targeted service groups of the two organizations, and to create a corporate culture of loving and caring, so as to motivate our employees to fulfill their social responsibilities.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF JIAYUAN INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 151, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories of properties under development and properties held for sale	
We identified the valuation of the Group's inventories of properties under development (the "PUD") and properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter due to the management judgments involved in the determination of the net realisable value (the "NRV") of these Properties and the estimation of future cost to completion of the Properties. The Group's PUD of RMB9,836 million and PFS of RMB730 million represented commercial and residential properties, which were located in Nanjing, Taizhou, Taixing, Suqian, Changzhou, Yangzhou, Nantong and Zhenjiang of the PRC as at 31 December 2016. The management of the Group determined the NRV of these Properties by reference to the estimated market prices of the Properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. Based on the management's estimation of the NRV of the Properties, no impairment was considered to be necessary. As disclosed in note 4 to the consolidated financial statements, the management estimated the future cost to completion of the PUD by reference to the actual development cost of the other similar completed projects of the Group, adjusted by certain current market data.	Our procedures in relation to the valuation of the Properties included: • Evaluating the reasonableness of the estimated future cost to completion of the Properties, on a sample basis, by comparing it to the actual development cost of similar completed properties of the Group and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the NRV of the Properties, on a sample basis, estimated by the management by comparing the estimated selling price to the market prices achieved in the same projects or comparable properties, based on our knowledge of the Group's business and the PRC real estate industry; and • Assessing the accuracy of the estimation of the NRV and future cost to completion of the Properties by comparing the previous estimation to the actual amounts.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combining with the significant judgments inherent in determining the fair value. The investment properties of the Group represent the commercial properties, which were located in Changzhou, Yangzhou, Taixing, Taizhou and Suqian of the People's Republic of China (the "PRC"). As disclosed in note 14 to the consolidated financial statements, the carrying amounts of completed investment properties and investment properties under construction were carried at RMB1,560 million and RMB613 million respectively as at 31 December 2016 with a resulting change in fair value of investment properties of RMB322 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. All of the Group's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the "Valuers"). Details of the valuation methodology and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations were dependent on certain key inputs that involve the management's judgment, including monthly market rent and capitalisation rate for completed investment properties; market unit sales rate, developer's gross profit margin, gross development value and discount rate for investment properties under construction. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in this note.	Our procedures in relation to assessing the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers; • Obtaining an understanding from the Valuers about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgment on key inputs and data used in the valuations; • Assessing the reasonableness of the key inputs and source data used in the valuations by management and the Valuers by comparing them, on a sample basis, to existing tenancy profiles, publically available information of similar comparable properties and our knowledge of the real estate industry; and • Re-performing a sensitivity analysis on the significant unobservable inputs to evaluate the magnitude of their impacts on the fair values.

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax	
We identified the provision for land appreciation tax ("LAT") in the PRC as a key audit matter since significant judgment is required in estimating the amount of LAT to be paid by the Group within each of the property development projects. LAT arises in the PRC when properties are delivered to the buyers and revenue is recognised. As disclosed in note 9 to the consolidated financial statements, LAT, amounted to RMB299 million is recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. As disclosed in note 4 to the consolidated financial statements, the LAT calculations are highly dependent on the appropriateness of the rates used, which are determined by the amount of the land appreciation. The amount of the land appreciation is determined by subtracting the related deductible amounts, including the cost of land and estimated construction costs, from the estimates of sales revenue.	Our procedures in relation to the provision for LAT included: • Evaluating the reasonableness of the estimated sales revenue and the related deductible amounts used in the LAT calculation with reference to the market prices and development costs of similar properties; • Engaging our tax specialists to assess the accuracy of the land appreciation amount calculations for each of the property development projects, and to assess the appropriateness of the LAT rate used for each of the property development projects by comparing it to the LAT rate announced by the State Administration of Taxation in the PRC; and • Evaluating the judgments applied by the management in estimating the land appreciation amount and LAT rate by comparing their estimates made in previous years to actual results as well as current year's estimates.

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of properties	
We identified revenue recognised from sales of properties as a key audit matter due to the significance of the balance to the consolidated statement of profit or loss and other comprehensive income, combined with the management judgments involved in determining the appropriate point at which to recognise revenue from sales of properties. Revenue from sales of properties is recognised upon the delivery of properties to buyers when all of the five criteria as disclosed in note 3 "Revenue recognition" to the consolidated financial statements are satisfied. The Group recognised revenue of RMB3,682 million from sales of properties for the year ended 31 December 2016 as disclosed in note 6 to the consolidated financial statements.	Our procedures in relation to the revenue recognised from sales of properties included: • Assessing management's process and control over the point of time at which revenue from sales of properties is recognised; and • Evaluating the terms set out in the sales and purchase agreements, and obtaining evidence regarding the delivery of properties, including completion certificates and delivery notices, to assess whether the significant risks and rewards of ownership of the properties have been transferred to the buyers.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ho Kam Wing, Richard.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	6	3,702,081	1,872,615
Cost of sales		(2,438,151)	(1,474,633)
Gross profit		1,263,930	397,982
Other income	7	60,992	8,194
Other gains and losses	7	5,299	(42,225)
Change in fair value of investment properties		322,413	203,641
Change in fair value upon transfer from inventories of properties to investment properties		15,412	220,017
Gain on bargain purchase of a subsidiary	33	102,498	–
Distribution and selling expenses		(130,197)	(130,885)
Administrative expenses		(89,858)	(66,750)
Other expenses		(15,730)	(32,743)
Finance costs	8	(64,905)	(47,871)
Profit before taxation		1,469,854	509,360
Income tax expense	9	(660,650)	(198,119)
Profit for the year	10	809,204	311,241
Discontinued operations			
Loss for the year from discontinued operations	34	–	(23,345)
Profit and total comprehensive income for the year		809,204	287,896
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company			
– from continuing operations		811,153	298,570
– from discontinued operations		–	(17,826)
		811,153	280,744
Non-controlling interests			
– from continuing operations		(1,949)	12,671
– from discontinued operations		–	(5,519)
		(1,949)	7,152
		809,204	287,896

	NOTES	2016 RMB'000	2015 RMB'000
Earnings per share			
From continuing and discontinued operations			
Basic (RMB cents)	13	**45.86**	20.80
Diluted (RMB cents)	13	**45.86**	N/A
From continuing operations			
Basic (RMB cents)	13	**45.86**	22.12
Diluted (RMB cents)	13	**45.86**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016 RMB'000**	2015 RMB'000
NON-CURRENT ASSETS			
Investment properties	*14*	**2,173,368**	1,570,149
Property and equipment	*15*	**85,507**	82,269
Interests in associates	*16*	**–**	–
Available-for-sale investment	*17*	**53,820**	–
Prepayment and deposit paid for a life insurance policy	*19*	**9,513**	9,584
Deposits paid for acquisition of subsidiaries	*20*	**1,400,000**	–
Deposits	*24*	**–**	18,800
Deferred tax assets	*21*	**216,673**	165,427
		3,938,881	1,846,229
CURRENT ASSETS			
Inventories of properties	*22*		
– held for sale		**730,211**	524,433
– under development		**9,836,441**	7,987,885
Amounts due from customers for contract work	*23*	**110,580**	164,614
Trade and other receivables, deposits and prepayments	*24*	**1,168,969**	2,383,540
Held-to-maturity investment	*18*	**129,796**	–
Prepaid income tax		**66,400**	101,332
Amounts due from related parties	*41*	**3,934**	50,822
Restricted/pledged bank deposits	*25*	**438,795**	856,876
Bank balances and cash	*25*	**977,653**	28,027
		13,462,779	12,097,529
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	*26*	**1,052,061**	978,007
Pre-sale deposits received	*26*	**5,167,027**	4,548,971
Tax payable		**700,563**	287,460
Amount due to a related party	*41*	**140**	–
Bank and other borrowings			
– due within one year	*27*	**3,385,640**	3,060,212
		10,305,431	8,874,650
NET CURRENT ASSETS		**3,157,348**	3,222,879
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,096,229**	5,069,108

	NOTES	2016 RMB'000	2015 RMB'000
CAPITAL AND RESERVES			
Share capital	29	**15,558**	–
Reserves		**3,191,752**	1,360,205
Equity attributable to owners of the Company		**3,207,310**	1,360,205
Non-controlling interests		**107,942**	19,878
TOTAL EQUITY		**3,315,252**	1,380,083
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	27	**2,314,420**	3,076,448
Deferred income	26	**436,341**	404,838
Deferred tax liabilities	21	**334,566**	207,739
Senior notes	28	**695,650**	–
		3,780,977	3,689,025
		7,096,229	5,069,108

The consolidated financial statements on pages 59 to 151 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Cheuk Hiu Nam	**Wang Jianfeng**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Paid-in/ share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000 *(Note v)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	705,872	–	–	4,472	878,146	1,588,490	213,840	1,802,330
Profit and total comprehensive income for the year	–	–	–	–	280,744	280,744	7,152	287,896
Arising from the Reorganisation	(705,872)	–	705,872	–	–	–	–	–
Cash paid out upon Reorganisation *(Note i)*	–	–	(696,453)	–	–	(696,453)	–	(696,453)
Acquisition of additional interests in subsidiaries from non-controlling interests upon Reorganisation *(Note iii)*	–	–	15,619	–	–	15,619	(29,719)	(14,100)
Transfer to reserve	–	–	–	25,241	(25,241)	–	–	–
Disposal of subsidiaries and associates upon Reorganisation *(Note ii)*	–	–	89,116	–	–	89,116	(171,395)	(82,279)
Capitalisation *(Note iv)*	–	–	82,689	–	–	82,689	–	82,689
At 31 December 2015	–	–	196,843	29,713	1,133,649	1,360,205	19,878	1,380,083
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	811,153	811,153	(1,949)	809,204
Issue of shares through initial public offering upon listing *(Note 29)*	3,749	925,991	–	–	–	929,740	–	929,740
Capitalisation *(Note 29)*	11,247	(11,247)	–	–	–	–	–	–
Exercise of over-allotment option *(Note 29)*	562	138,899	–	–	–	139,461	–	139,461
Share issuance costs	–	(33,249)	–	–	–	(33,249)	–	(33,249)
Acquisition of a subsidiary	–	–	–	–	–	–	90,013	90,013
Transfer to reserve	–	–	–	18,977	(18,977)	–	–	–
At 31 December 2016	15,558	1,020,394	196,843	48,690	1,925,825	3,207,310	107,942	3,315,252

Notes:

(i) During the year ended 31 December 2015, as part of the corporate reorganisation (the "Reorganisation"), Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") and Nanjing Gangyuan Investment Consulting Co., Limited ("Nanjing Gangyuan") acquired the entire 100% equity interests in Taizhou Jia Yuan Property Development Co., Limited ("Taizhou Jia Yuan"), Taizhou Mingyuan Property Development Co., Limited ("Taizhou Mingyuan"), Taixing Guangyuan Property Development Co., Limited ("Taixing Guangyuan"), Taixing Hengyuan Property Development Co., Limited ("Taixing Hengyuan"), Taixing Mingyuan Property Development Co., Limited ("Taixing Mingyuan"), Siyang Fengyuan Property Development Co., Limited ("Siyang Fengyuan"), Yangzhou Guangyuan Property Development Co., Limited ("Yangzhou Guangyuan"), Yangzhou Hengyuan Property Development Co., Limited ("Yangzhou Hengyuan"), Yangzhou Mingyuan Property Development Co., Limited ("Yangzhou Mingyuan"), 80% equity interests in Changzhou Jinyuan Property Development Co., Limited ("Changzhou Jinyuan") and 90% equity interests in Suqian Jia Yuan Property Development Co., Limited ("Suqian Jia Yuan") from entities controlled by the Ultimate Shareholder (as defined in note 1 to the consolidated financial statements) at a cash consideration of RMB696,453,000 in aggregate.

(ii) During the year ended 31 December 2015, as part of the Reorganisation, the Group disposed of a number of subsidiaries including its entire equity interest in Jin Jiang Investment Limited ("Jin Jiang"), 80% equity interest in Fundland Development Property Development Co., Limited ("Fundland Development"), 90% equity interest in Haining Jia Yuan Property Development Co., Limited ("Haining Jia Yuan"), 60% equity interest in Jiaxing Jindi Property Development Co., Limited ("Jiaxing Jindi") and entire equity interest in Jiaxing Jinyuan Property Development Co., Limited ("Jiaxing Jinyuan") as detailed in note 35 to the consolidated financial statements. In addition, the Group disposed of its equity interests in associates as detailed in note 16 to the consolidated financial statements. The net gain on disposal of these subsidiaries and associates amounting to RMB89,116,000 was recognised as a deemed contribution from equity holder directly in equity.

(iii) On 24 June 2015, Hong Kong Jia Yuan acquired 20% equity interest of Changzhou Jinyuan held by non-controlling interests for a cash consideration of RMB14,100,000. On the other hand, on 11 June 2015, Nanjing Gangyuan acquired the entire equity interest of Siyang Fengyuan held by Suqian Jia Yuan to which 10% equity interest was held by non-controlling interests. The difference between the consideration paid and the aggregate equity interests of the non-controlling interests at the date of acquisition of additional interests in Changzhou Jinyuan and Siyang Fengyuan amounting to RMB15,619,000 was recognised in the reserve.

(iv) During the year ended 31 December 2015, the Ultimate Shareholder waived an amount of RMB82,689,000 due to him. The amount was considered as deemed contribution and was recognised in the reserve.

(v) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit for the year from continuing operations and discontinued operations	**809,204**	287,896
Adjustments for:		
Income tax expense	**660,650**	195,898
Interest income on bank deposits	**(9,278)**	(6,493)
Interest income on entrusted loans receivable	**(48,668)**	–
Interest income on available-for-sale investment	**(1,504)**	–
Interest income on held-to-maturity investment	**(426)**	–
Finance costs	**64,905**	54,870
Change in fair value of investments designated at fair value through profit or loss	**–**	(750)
Share of results of associates	**–**	5,864
Depreciation of property and equipment	**4,930**	3,644
Unrealised exchange difference	**27,665**	42,042
Loss on disposal of property and equipment	**25**	331
Change in fair value of investment properties	**(322,413)**	(203,841)
Change in fair value upon transfer from inventories of properties to investment properties	**(15,412)**	(220,017)
Gain on bargain purchase of a subsidiary	**(102,498)**	–
Operating cash flows before movements in working capital	**1,067,180**	159,444
(Increase) decrease in properties held for sale	**(220,566)**	223,576
Decrease (increase) in properties under development	**898,033**	(745,654)
Decrease in amounts due from customers of contract work	**54,034**	576,045
Decrease (increase) in trade and other receivables, deposits and prepayments	**1,244,344**	(848,131)
Decrease (increase) in amounts due from related parties	**46,888**	(26,728)
Decrease in trade and other payables and accrued expenses	**(220,466)**	(233,740)
Increase in pre-sale deposits received	**492,778**	2,022,835
Decrease in amounts due to related parties	**–**	(12,776)
Cash generated from operations	**3,362,225**	1,114,871
Income tax paid	**(179,405)**	(144,641)
NET CASH FROM OPERATING ACTIVITIES	**3,182,820**	970,230

	NOTES	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Additions of property and equipment		**(7,677)**	(7,484)
Proceeds from disposal of property and equipment		**1**	41
Additions of investment properties		**(259,644)**	(76,574)
Disposal of investment properties		**9,038**	280,988
Interest received		**59,450**	6,493
Deposits paid for acquisition of subsidiaries		**(1,400,000)**	–
Acquisition of subsidiaries	*32, 33*	**(1,356,207)**	(32,806)
Acquisition of an associate		**–**	(1,000)
Disposal of subsidiaries		**–**	388,521
Disposal of associates		**–**	106,000
Dividend received from an associate		**–**	63,537
Advances to related parties		**–**	(1,658,453)
Repayment from related parties		**–**	1,673,077
Placement of restricted/pledged bank deposits		**(1,316,792)**	(2,595,294)
Withdrawal of restricted/pledged bank deposits		**1,734,872**	1,805,591
Loans to independent third parties		**–**	(1,044,900)
Purchase of a life insurance policy		**–**	(9,584)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	4,750
Purchase of available-for-sale investment		**(52,481)**	–
Purchase of held-to-maturity investment		**(129,796)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(2,719,236)**	(1,097,097)
FINANCING ACTIVITIES			
Proceeds from borrowings		**5,703,390**	4,059,583
Repayment of borrowings		**(6,141,103)**	(2,369,698)
Advances from related parties		**140**	715,810
Repayment to related parties		**–**	(908,802)
Interest paid		**(780,097)**	(581,441)
Proceeds from initial public offering		**1,069,201**	–
Proceeds from issuance of senior notes		**667,760**	–
Share issuance costs		**(33,249)**	–
Cash paid out upon Reorganisation		**–**	(696,453)
Acquisition of additional interests of a subsidiary		**–**	(14,100)
Advances from non-controlling equity holder of subsidiaries		**–**	10,000
Repayments to non-controlling equity holder of subsidiaries		**–**	(90,320)
NET CASH FROM FINANCING ACTIVITIES		**486,042**	124,579
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**949,626**	(2,288)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**28,027**	30,315
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash		**977,653**	28,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder"). The addresses of the registered office of the Company and the principal place of business are disclosed in the corporate information section to the annual report.

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42.

Prior to the Reorganisation, the subsidiaries comprising the Group were owned by the Ultimate Shareholder through companies controlled by him. Apart from the Group, the Ultimate Shareholder, through a group of real estate development companies (other than members of the Group) (the "Private Group"), has interest in the Excluded Businesses (defined below).

1. GENERAL AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In contemplation of the Listing and in order to achieve the geographical segregation between the property business of the Group and the private businesses held by the Ultimate Shareholder, upon completion of the Reorganisation, the Group conducts its property business only in thirteen selected cities and the entire Jiangsu Province in the PRC, namely,

1) Chongqing Municipality (重慶市);

2) Jinan City, Shandong Province (山東省濟南市);

3) Nanchang City, Jiangxi Province (江西省南昌市);

4) Xiamen City, Fujian Province (福建省廈門市);

5) Fuzhou City, Fujian Province (福建省福州市);

6) Wuhan City, Hubei Province (湖北省武漢市);

7) Changsha City, Hunan Province (湖南省長沙市);

8) Nanning City, Guangxi Autonomous Region (廣西省南寧市);

9) Dalian City, Liaoning Province (遼寧省大連市);

10) Guangzhou City, Guangdong Province (廣東省廣州市);

11) Shenzhen City, Guangdong Province (廣東省深圳市);

12) Zhuhai City, Guangdong Province (廣東省珠海市);

13) Shantou City, Guangdong Province (廣東省汕頭市); and

14) All cities in Jiangsu Province (江蘇省所有城市)

(collectively referred as the "Target Cities" and each as "Target City") and the Private Group conducts its property business only in the non-Target Cities in the PRC (the "Excluded Businesses"). There is no overlapping city among the Target Cities and the cities that the Private Group will operate. Such geographical delineation aims solely to ring-fence the operations of the Group from any potential operations of the Private Group.

1. GENERAL AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Under the historical group structure, the Group has equity interest in various entities which involving the Excluded Businesses. Therefore, as part of the Reorganisation, during the year ended 31 December 2015, the Group disposed of various subsidiaries and associates which involving the Excluded Businesses as detailed in notes 35 and 16, respectively.

Pursuant to the Reorganisation, the Company was incorporated on 5 May 2015 in the Cayman Islands by the Ultimate Shareholder. Through several steps of the Reorganisation, the Company became the parent company of several holding companies and acquired the PRC operating subsidiaries from entities controlled by the Ultimate Shareholder. The Reorganisation was completed on 18 August 2015.

The financial information of the companies which involved business in the non-Target Cities is presented under discontinued operations with details set out in note 34.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as continuing entity. The Group was and is under the control of the Ultimate Shareholder prior to and after the Reorganisation.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2015 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the respective years, or since their respective dates of incorporation/establishment where it is a shorter period, except for those subsidiaries being disposed of during the respective years that the results of which have been accounted for until the effective date of disposal.

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

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRS 2012–2014 Cycle

The application of the amendments to HKFRSs in the current year had had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 *Financial Instruments*

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

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

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

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

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

HKFRS 9 *Financial Instruments* (Continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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

HKFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB1,021,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company do not anticipate that the application of the other new standards and amendments will have significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of a subsidiary is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition – related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share – based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition of a subsidiary not constitute a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date as compared to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contract where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes is prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from sale of properties in the ordinary course of business is recognised upon delivery of the properties to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposit received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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

Service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property and equipment

Property and equipment including leasehold land and buildings held for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Properties in the course of construction are carried at cost, less any recognised impairment loss. Costs including professional fees and other costs that are directly attributable to the construction or acquisition of the property are capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property under construction or development for future use as an investment property is classified as investment property under development and is initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, whichever is earlier, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Properties under development

When the leasehold land and buildings are in the course of development for sale, the leasehold land component is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for own use or their investment potential are shown as non-current assets.

Properties under development which are intended to be held for sale are shown as current assets and carried at the lower of cost and net realisable value.

Properties under development are transferred to investment property when the development is completed and there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised.

Properties held for sale are transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Net realisable value is determined based on prevailing market conditions.

Impairment losses on tangible assets

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as held-to-maturity investment, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

AFS 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 investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit paid for a life insurance policy, trade and other receivables, amounts due from related parties, restricted/pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for indicators of impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, bank and other borrowings and senior notes) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer 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.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss ("FVTPL"), are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to enterprise income tax ("EIT"). The carrying amount of deferred taxation on investment properties at 31 December 2016 was RMB292,195,000 (2015: RMB207,739,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of inventories of properties

The Group's inventories of properties are stated at the lower of cost and net realisable value (the "NRV"). The management of the Group make significant judgment in determining the NRV of these inventories of properties and the estimation of future costs to completion of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, the management of the Group determine the NRV of these inventories of properties by reference to the estimated market prices of the inventories of properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. The directors of the Company estimate the future cost to completion of the inventories of properties by reference to the actual development cost of other similar completed projects of the Group, adjusted by certain current market data.

If there is an increase in costs of completion or a decrease in NRV, this may result in write-downs for these inventories of properties. Such write-downs require the use of judgment and estimates of the management of the Group. The carrying amount of inventories of properties at 31 December 2016 was RMB10,566,652,000 (2015: RMB8,512,318,000). Based on the management's estimation of the NRV of the inventories of properties, no impairment were considered to be necessary.

Estimate of fair value of investment properties

At the end of the reporting period, 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. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions. The carrying amount of investment properties at 31 December 2016 was RMB2,173,368,000 (2015: RMB1,570,149,000).

Estimate of the PRC LAT

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

The Group is subject to land appreciation taxes in the PRC. The details of implementation have been announced by local tax bureaux in certain major cities, however, the Group has not finalised its LAT calculation and payments with local tax bureaux in those cities in the PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Construction contracts

The Group recognises contract revenue according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both estimated revenue as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

5. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by Mr. Shum Tin Ching, being the chief operating decision maker prior to the Reorganisation, and the Board of Directors, being the chief operating decision maker after the Reorganisation, for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property development – development and sales of office premises, shopping arcade and residential properties

(ii) Development services – development of resettlement properties and other public facilities

(iii) Property investment – leasing of office premises, hotel, shopping arcade and carparks

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

Continuing operations

	Segment revenue		Segment profit	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Property development	**3,681,763**	1,845,870	**1,134,758**	172,067
Development services	**–**	2,997	**–**	97
Property investment	**20,318**	23,748	**20,318**	23,748
Total	**3,702,081**	1,872,615	**1,155,076**	195,912
Other gains and losses			**5,299**	(42,225)
Interest income			**59,876**	6,487
Central administration costs			**(15,114)**	(9,988)
Change in fair value of investment properties			**322,413**	203,641
Change in fair value upon transfer from inventories of properties to investment properties			**15,412**	220,017
Other expenses			**(8,203)**	(16,613)
Finance costs			**(64,905)**	(47,871)
Profit before taxation			**1,469,854**	509,360

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, certain other expenses, change in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years reported.

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

Continuing operations

	Depreciation of property and equipment	
	2016	2015
	RMB'000	RMB'000
Amount included in the measure of segment profit or loss:		
Property development	**4,930**	3,353

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

Continuing operations

	Revenue from external customers	
	2016	2015
	RMB'000	RMB'000
Taixing	**595,982**	352,829
Taizhou	**102,076**	139,491
Suqian	**328,154**	1,110,190
Yangzhou	**3,129**	270,105
Nanjing	**2,426,241**	–
Changzhou	**246,499**	–
	3,702,081	1,872,615

5. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Continuing operations (Continued)

	Non-current assets	
	2016	2015
	RMB'000	RMB'000
Changzhou	**314,948**	182,138
Hong Kong	**77,772**	79,684
Nanjing	**5,451**	670
Taixing	**831,341**	705,669
Taizhou	**418,540**	408,066
Suqian	**218,173**	213,797
Yangzhou	**392,165**	62,394
Nantong	**309**	–
Zhenjiang	**176**	–
	2,258,875	1,652,418

Note: Non-current assets excluded financial instruments, prepayment and deposit paid for a life insurance policy, deposits paid for acquisition of subsidiaries, deposits and deferred tax assets.

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the years reported.

6. REVENUE

The amount represents revenue arising from sales of properties, development services and property rental.

Analysis of the Group's revenue from continuing operations are set out as below:

	2016	2015
	RMB'000	RMB'000
Sales of properties	**3,681,763**	1,845,870
Development services	**–**	2,997
Property rental	**20,318**	23,748
	3,702,081	1,872,615

7. OTHER INCOME, GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Continuing operations		
Other income		
Interest income on bank deposits	**9,278**	5,660
Interest income on entrusted loans receivable	**48,668**	827
Interest income on available-for-sale investment	**1,504**	–
Interest income on held-to-maturity investment	**426**	–
Others	**1,116**	1,707
	60,992	8,194
Other gains and losses		
Loss on disposal of property and equipment	**(25)**	(331)
Change in fair value of investments designated at FVTPL	**–**	750
Foreign exchange gain (loss), net	**5,324**	(42,644)
	5,299	(42,225)

8. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Continuing operations		
Interest on bank and other borrowings	**715,685**	705,628
Interest on senior notes	**21,726**	–
Less: Capitalised in investment properties/properties under development	**(672,506)**	(657,757)
	64,905	47,871

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 6.69% per annum for the year ended 31 December 2016 (2015: 8.83% per annum).

9. INCOME TAX EXPENSE

	2016 **RMB'000**	2015 RMB'000
Continuing operations		
Current tax:		
EIT in the PRC	**328,620**	74,375
LAT	**298,820**	53,246
	627,440	127,621
Deferred tax *(Note 21)*	**33,210**	70,498
	660,650	198,119

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

No provision for Hong Kong Profits Tax has been recognised in the consolidated financial statements during both years as the Group does not have income which arises in, or is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2013, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995 (collectively referred to the "LAT Regulations"), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

9. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before taxation from continuing operations as follows:

	2016 RMB'000	2015 RMB'000
Continuing operations		
Profit before taxation	**1,469,854**	509,360
PRC EIT at 25%	**367,463**	127,340
Tax effect of expenses not deductible for tax purpose	**107,445**	25,530
Tax effect of income not taxable for tax purpose	**(46,591)**	(23)
Tax effect of tax losses not recognised	**11,019**	5,536
Utilisation of tax losses previously not recognised	**(2,801)**	(235)
LAT	**298,820**	53,246
Tax effect of LAT	**(74,705)**	(13,312)
Others	**–**	37
Tax charge for the year	**660,650**	198,119

10. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Continuing operations		
Profit for the year has been arrived at after charging (crediting):		
Cost of properties held for sale recognised as expenses	**2,438,151**	1,471,733
Depreciation of property and equipment	**4,960**	3,408
Less: Capitalised in properties under development	**(30)**	(46)
	4,930	3,362
Auditors' remuneration	**2,100**	1,650
Compensation expenses (included in other expenses) *(Note)*	**780**	6,041
Donations (included in other expenses)	**932**	552
Listing expenses (included in other expenses)	**8,203**	16,613
Minimum lease payments under operating lease for land and buildings	**1,267**	1,876
Rental income from investment properties (net of negligible outgoings)	**(20,318)**	(17,629)
Directors' emoluments *(Note 11)*	**6,209**	4,118
Other staff costs		
Salaries and other allowances	**30,384**	28,283
Retirement benefit costs	**4,572**	4,102
Total staff costs	**41,165**	36,503
Less: Capitalised in properties under development	**(3,879)**	(4,976)
	37,286	31,527

Note: Compensation expenses mainly represent compensation paid to purchasers of properties as a result of delay in property delivery.

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company (including emoluments for services provided as employees/directors of the group entities prior to becoming the directors of the Company) during the years are as follows:

	2016 RMB'000	2015 RMB'000
Directors' fee	**489**	–
Other emoluments		
– Salaries and other allowances	**2,936**	2,075
– Performance related bonus *(Note)*	**2,668**	1,974
– Retirement benefit scheme contributions	**116**	69
	6,209	4,118

The emoluments of the directors and chief executive are as follows:

	Fee RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000 *(Note)*	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016					
Executive Directors					
Ms. Cheuk Hiu Nam *(Note i)*	–	770	919	16	1,705
Mr. Huang Fuqing *(Note i)*	–	661	1,200	69	1,930
Mr. Wang Jianfeng *(Note i)*	–	681	549	16	1,246
Non-executive Director					
Mr. Shum Tin Ching *(Note ii)*	–	824	–	15	839
Independent non-executive Directors					
Mr. Tai Kwok Leung, Alexander *(Note iii)*	163	–	–	–	163
Dr. Cheung Wai Bun, Charles, *JP (Note iii)*	163	–	–	–	163
Mr. Gu Yunchang *(Note iii)*	163	–	–	–	163
	489	2,936	2,668	116	6,209

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

	Fee RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000 *(Note)*	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive Directors					
Ms. Cheuk Hiu Nam *(Note i)*	–	590	593	15	1,198
Mr. Huang Fuqing *(Note i)*	–	404	1,000	32	1,436
Mr. Wang Jianfeng *(Note i)*	–	295	381	7	683
Non-executive Director					
Mr. Shum Tin Ching *(Note ii)*	–	786	–	15	801
	–	2,075	1,974	69	4,118

Notes:

(i) Ms. Cheuk Hiu Nam, Mr. Huang Fuqing and Mr. Wang Jianfeng were appointed as executive directors of the Company on 27 July 2015. Ms. Cheuk Hiu Nam is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive. The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(ii) Mr. Shum Tin Ching was appointed as a non-executive director of the Company on 27 July 2015. The non-executive director's emoluments shown above were mainly for services as a director of the Company.

(iii) Mr. Tai Kwok Leung, Alexander, Dr. Cheng Wai Bun, Charles, *JP* and Mr. Gu Yunchang were appointed as independent non-executive directors of the Company on 12 February 2016. The independent non-executive directors' emoluments shown above were mainly for services as directors of the Company.

The five highest paid individuals included three directors for the year ended 31 December 2016 (2015: three directors). The remunerations of the remaining two (2015: two) highest paid individuals for the year are as follows:

	2016 RMB'000	2015 RMB'000
Employees		
– Salaries and other allowances	**703**	507
– Performance related bonus *(Note)*	**1,599**	1,132
– Retirement benefit scheme contributions	**54**	53
	2,356	1,692

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

The remuneration were within the following bands:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	1

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years.

Note: Performance related bonus is determined by reference to the performance of individuals and market trend.

12. DIVIDEND

No dividend has been paid or proposed by the Company during the years ended 31 December 2016 and 2015.

13. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic earnings per share from continuing and discontinued operations during the years are based on the assumption that the Reorganisation and the capitalisation issue had been in effective on 1 January 2014.

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

	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**811,153**	280,744

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,768,709**	1,350,000
Effect of dilutive potential ordinary shares:		
Over-allotment option	**152**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,768,861**	

13. EARNINGS PER SHARE (CONTINUED)

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2016 RMB'000	2015 RMB'000
Profit for the year attributable to owners of the Company	**811,153**	280,744
Add: Loss for the year from discontinued operations	**–**	17,826
Profit for the purpose of basic earnings per share from continuing operations	**811,153**	298,570

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for the discontinued operations is RMB1.32 cents per share for the year ended 31 December 2015.

The calculation of basic loss per share from discontinued operations attributable to owners of the Company is based on the following data:

	2016 RMB'000	2015 RMB'000
Loss for the year from discontinued operations	**N/A**	(17,826)

The denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share is presented as there is no potential ordinary shares outstanding during the year ended 31 December 2015.

14. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
FAIR VALUE			
At 1 January 2015	977,685	295,000	1,272,685
Additions	–	76,574	76,574
Disposal	(280,988)	–	(280,988)
Disposal of a subsidiary	(26,280)	–	(26,280)
Transfer from properties held for sale	324,317	–	324,317
Transfer	221,194	(221,194)	–
Net change in fair value recognised in profit or loss	172,221	31,620	203,841
At 31 December 2015	1,388,149	182,000	1,570,149
Additions	–	259,644	259,644
Disposal	(9,038)	–	(9,038)
Transfer from properties held for sale	30,200	–	30,200
Transfer	22,170	(22,170)	–
Net change in fair value recognised in profit or loss	128,887	193,526	322,413
At 31 December 2016	1,560,368	613,000	2,173,368

The completed investment properties and investment properties under construction are all situated in the PRC under medium-term leases. All the completed investment properties are rented out under operating leases.

The fair values of the Group's investment properties at 31 December 2016 and 2015 and at dates of transfer have been arrived at on the basis of valuations on those dates carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties ("Completed IP") were arrived at with adoption of income capitalisation approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the respective properties and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate.

The valuations of investment properties under construction ("IP under construction") were arrived at with adoption of cost approach or residual approach. Cost approach is adopted when IP under construction is at its preliminary state based on comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. Residual approach is adopted when IP under construction is close to completion state based on market observable transactions of completed properties with the basis that they will be developed and completed in accordance with the latest development proposals and taken into account the accrued construction costs that will be expended to complete the development to reflect the quality of the completed development and developer's gross profit margin.

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

14. INVESTMENT PROPERTIES (CONTINUED)

All of the Group's property interests held under operating leases in the PRC to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties which are classified as Level 3 in the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Completed IP RMB'000	IP under construction RMB'000	Total fair value as at 31.12.2016 RMB'000
Properties in Changzhou	**21,880**	**293,000**	**314,880**
Properties in Yangzhou	**71,417**	**320,000**	**391,417**
Properties in Taixing	**830,700**	**–**	**830,700**
Properties in Taizhou	**418,371**	**–**	**418,371**
Properties in Suqian	**218,000**	**–**	**218,000**
	1,560,368	**613,000**	**2,173,368**

	Completed IP RMB'000	IP under construction RMB'000	Total fair value as at 31.12.2015 RMB'000
Properties in Changzhou	–	182,000	182,000
Properties in Yangzhou	61,982	–	61,982
Properties in Taixing	705,000	–	705,000
Properties in Taizhou	407,841	–	407,841
Properties in Suqian	213,326	–	213,326
	1,388,149	182,000	1,570,149

There were no transfers into or out of Level 3 during the years reported. The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and inputs used).

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Changzhou – IP under construction and completed IP	Level 3	Residual approach for IP under construction The key inputs are: (1) Gross development value (2) Developer's profit (3) Capitalisation rate	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparables and the property, of RMB6,874 per sq.m at 31 December 2016.	A slight increase in the gross development value would result in a significant increase in fair value and vice versa.
			Developer's gross profit margin, taking into account of the comparables land transactions and progress of the property, at 30% at 31 December 2016.	There is no indication that any slight change in the developer's profit would result in significant higher or lower fair value measurement.
			Capitalisation rate, taking into account of the prevailing market interest rates at 4% at 31 December 2016.	There is no indication that any slight change in the capitalisation rate would result in significant higher or lower fair value measurement.
		Cost approach for IP under construction The key inputs are: (1) Market unit sales rate (2) Developer's gross profit margin	Market unit sales rate, using market direct comparable and adjusted by taking into account of location and other individual factors around RMB1,777 sq.m. at 31 December 2015.	A slight increase in the market unit sales rate would result in a significant increase in fair value and vice versa.
			Developer's gross profit margin, taking into account of the progress of the property of 45% at 31 December 2015.	There is no indication that any slight change in the developer's gross profit margin would result in significant higher or lower fair value measurement

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
	Level 3	Income capitalisation approach for completed IP The key inputs are: (1) Term yield (2) Reversionary yield (3) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, at 3.5% at 31 December 2016.	There is no indication that any slight change in the term yield would result in significant higher or lower fair value measurement.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, at 4% at 31 December 2016.	There is no indication that any slight change in the reversionary yield would result in significant higher or lower fair value measurement.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB42/sq.m./month at 31 December 2016.	There is no indication that any slight change in the reversionary rental would result in significant higher or lower fair value measurement.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Yangzhou – IP under construction and completed IP	Level 3	Cost approach for IP under construction The key inputs are: (1) Market unit sales rate (2) Developer's gross profit margin	Market unit sales rate, using market direct comparable and adjusted by taking into account of location and other individual factors range from RMB1,300 sq.m to RMB2,300 sq.m at 31 December 2016.	A slight increase in the market unit sales rate would result in a significant increase in fair value and vice versa.
			Developer's gross profit margin, taking into account of the progress of the property of 30% at 31 December 2016.	There is no indication that any slight change in the developer's gross profit margin would result in significant higher or lower fair value measurement.
	Level 3	Income capitalisation approach for completed IP The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, at 3% (2015: 3%).	There is no indication that any slight change in the term yield would result in significant higher or lower fair value measurement.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, at 3.5% (2015: 3.5%).	There is no indication that any slight change in the reversionary yield would result in significant higher or lower fair value measurement.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB16.24/sq.m./month to RMB28.92/sq.m./month (2015: RMB5.76/sq.m./month to RMB22.4/sq.m./month).	No sensitivity analysis for monthly term rental since they are derived from existing rental agreements.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB41.7/sq.m./month to RMB42.0/sq.m./month (2015: RMB33.0/sq.m./month to RMB39.0/sq.m./month).	There is no indication that any slight change in the reversionary rental would result in significant higher or lower fair value measurement.
Properties in Taixing – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, range from 3% to 3.5% (2015: 3% to 3.5%).	There is no indication that any slight change in the term yield would result in significant higher or lower fair value measurement.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, range from 3.5% to 4% (2015: 3.5% to 4%).	There is no indication that any slight change in the reversionary yield would result in significant higher or lower fair value measurement.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB22.08sq.m./month to RMB52.11/sq.m./month (2015: RMB4.6/sq.m./month to RMB38.34/sq.m./month).	No sensitivity analysis for monthly term rental since they are derived from existing rental agreements.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB40.5/sq.m./month to RMB144.0/sq.m./month (2015: RMB39.9/sq.m./month to RMB135.0/sq.m./month).	There is no indication that any slight change in the reversionary rental would result in significant higher or lower fair value measurement.
Properties in Taizhou – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, range from 3% to 3.5% (2015: 3% to 3.5%).	There is no indication that any slight change in the term yield would result in significant higher or lower fair value measurement.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, range from 3.5% to 4% (2015: 3.5% to 4%).	There is no indication that any slight change in the reversionary yield would result in significant higher or lower fair value measurement.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB6.52/sq.m./month to RMB20.81sq.m./month (2015: RMB5.47sq.m./month to RMB19.5/sq.m./month).	No sensitivity analysis for monthly term rental since they are derived from existing rental agreements.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB46.8/sq.m./month to RMB99.0/sq.m./month (2015: RMB43.5/sq.m./month to RMB99.0/sq.m./month).	There is no indication that any slight change in the reversionary rental would result in significant higher or lower fair value measurement.
Properties in Suqian – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, at 3.5% (2015: 3.5%).	There is no indication that any slight change in the term yield would result in significant higher or lower fair value measurement.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB46.8/sq.m./month to RMB99.0/sq.m./month (2015: RMB43.5/sq.m./month to RMB99.0/sq.m./month).	There is no indication that any slight change in the reversionary rental would result in significant higher or lower fair value measurement.
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB2.33/sq.m./month (2015: RMB3.02/sq.m./month.	No sensitivity analysis for monthly term rental since they are derived from existing rental agreements.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB45.9/sq.m./month (2015: RMB45.9/sq.m./month).	There is no indication that any slight change in the reversionary rental would result in significant higher or lower fair value measurement.

The Group has pledged investment properties amounting to RMB1,139,599,000 (2015: RMB1,333,310,000) to secure certain banking and other facilities granted to the Group (Note 37).

15. PROPERTY AND EQUIPMENT

	Leasehold land and building RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fittings and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST								
At 1 January 2015	81,708	37,649	839	2,317	644	4,157	17,533	144,847
Additions	–	6,357	–	832	–	145	150	7,484
Disposals	–	–	–	(119)	(217)	(137)	(827)	(1,300)
Disposal of subsidiaries	–	(44,006)	–	(1,500)	–	(776)	(5,595)	(51,877)
At 31 December 2015	81,708	–	839	1,530	427	3,389	11,261	99,154
Additions	–	–	–	32	358	824	6,980	8,194
Disposals	–	–	–	(8)	–	(456)	(70)	(534)
At 31 December 2016	81,708	–	839	1,554	785	3,757	18,171	106,814
ACCUMULATED DEPRECIATION								
At 1 January 2015	(1,225)	–	(125)	(1,424)	(127)	(3,085)	(13,665)	(19,651)
Charge for the year	(1,634)	–	(168)	(247)	(95)	(380)	(1,166)	(3,690)
Eliminated on disposals	–	–	–	44	59	66	759	928
Eliminated on disposal of subsidiaries	–	–	–	547	–	529	4,452	5,528
At 31 December 2015	(2,859)	–	(293)	(1,080)	(163)	(2,870)	(9,620)	(16,885)
Charge for the year	(1,634)	–	(168)	(191)	(284)	(782)	(1,871)	(4,930)
Eliminated on disposals	–	–	–	8	–	434	66	508
At 31 December 2016	(4,493)	–	(461)	(1,263)	(447)	(3,218)	(11,425)	(21,307)
CARRYING VALUES								
At 31 December 2016	77,215	–	378	291	338	539	6,746	85,507
At 31 December 2015	78,849	–	546	450	264	519	1,641	82,269

15. PROPERTY AND EQUIPMENT (CONTINUED)

The above items of property and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and building	Over the shorter of the term of lease or 2%
Leasehold improvements	20%
Office equipment	20%
Furniture, fittings and equipment	10% – 20%
Computer equipment	20% – 33%
Motor vehicles	25%

The leasehold land and building is located in Hong Kong.

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, and the lease is treated as property and equipment.

The Group has pledged leasehold land and building with a net book value of RMB77,215,000 (2015: RMB78,849,000) to secure certain banking and other facilities granted to the Group (Note 37).

16. INTERESTS IN ASSOCIATES

During the year ended 31 December 2015, the Group carried out the Reorganisation pursuant to which the Group had disposed of the entire 45% equity interest in Zhejiang Guangyuan Property Development Co, Ltd. ("Zhejiang Guangyuan"), 35% equity interest in Tongxiang Jia Yuan Property Development Co, Ltd. ("Tongxiang Jia Yuan ") and 31.76% equity interest in Haiyan Jia Yuan Property Development Co, Ltd. ("Haiyan Jia Yuan") to entities controlled by the Ultimate Shareholder. The (loss) profit on disposal of these associates was calculated as follows:

	Zhejiang Guangyuan RMB'000	Tongxiang Jia Yuan RMB'000	Haiyan Jia Yuan RMB'000	Total RMB'000
Proceeds of disposal	22,590	7,810	75,600	106,000
Carrying amount of the associates on the date of loss of significant influence	(32,582)	(22,101)	(68,199)	(122,882)
(Loss) profit on disposal	(9,992)	(14,291)	7,401	(16,882)

In addition, the Group had disposed of the entire 20% equity interest in Jia Yuan Property Management Co, Ltd (Jia Yuan Property) through the disposal of its subsidiary, Jin Jiang, as detailed in note 35.

16. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information prepared in accordance with HKFRSs in respect of the Group's associates.

	Zhejiang Guangyuan 1.1.2015 to 27.5.2015 RMB'000	Tongxiang Jia Yuan 1.1.2015 to 17.5.2015 RMB'000	Haiyan Jia Yuan 1.1.2015 to 1.6.2015 RMB'000	Jia Yuan Property 1.1.2015 to 18.4.2015 RMB'000
Revenue	11,989	–	32,490	15,874
Profit (loss) for the year	7,396	(5,471)	(22,912)	(10,327)

17. AVAILABLE-FOR-SALE INVESTMENT

	2016 RMB'000	2015 RMB'000
Unlisted fund in the PRC, at cost	53,820	–

The above unlisted fund investment represents investments in unlisted fund issued by private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured realisably.

18. HELD-TO-MATURITY INVESTMENT

	2016 RMB'000	2015 RMB'000
Unlisted fund, at cost	129,796	–

The above unlisted fund investment is measured at cost less impairment at the end of the reporting period, which is denominated in Australian dollars ("AUD"). The held-to-maturity investment carries interest at 12% per annum with maturity date at 22 March 2017.

19. PREPAYMENT AND DEPOSIT PAID FOR A LIFE INSURANCE POLICY

In 2015, Hong Kong Jia Yuan entered into a life insurance policy with an insurance company on Ms. Cheuk Hiu Nam, a director of the Company. Under the policy, Hong Kong Jia Yuan, being the beneficiary and policy holder, is required to pay an upfront payment for the policy. Hong Kong Jia Yuan may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium, amounting to US$1,036,000 (equivalent to RMB6,563,000) and US$477,000 (equivalent to RMB3,021,000), respectively, according to the terms set out in the policy. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 2% to 4.2% per annum plus a premium determined by the insurance company during the tenures of the policy. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy, excluding the financial effect of surrender charge.

Particulars of the policy are as follows:

		Guaranteed interest rates	
Insured sum	Upfront payment	First year	Second year and onwards
US$9,500,000 (equivalent to RMB60,182,000)	US$1,513,000 (equivalent to RMB9,584,000)	4.2% per annum	2% per annum

The carrying amounts of deposit placed and prepayment of life insurance premium at 31 December 2016 and 2015 are set out as below:

	2016 RMB'000	2015 RMB'000
Deposit paid	**6,660**	6,563
Prepayment	**2,853**	3,021
	9,513	9,584

The carrying amounts of the prepayment and deposit paid for a life insurance policy as at 31 December 2016 and 2015 approximate the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States dollars ("US$").

20. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2016, the Group entered into framework agreements ("Framework Agreements") with independent third parties in relation to the acquisition of a number of companies which are principally engaged in property development in the PRC. As at 31 December 2016, the Group had made deposits of RMB1,400,000,000 in relation to these acquisitions. According to the Framework Agreements, in case of incompletion of the acquisitions, the deposits paid will be fully refunded to the Group.

21. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years:

	Accrued LAT RMB'000	Fair value of investment properties RMB'000	Revaluation of properties under development RMB'000	Deferred income RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2015	17,320	(102,330)	–	102,665	34,911	52,566
Credit (charge) to profit or loss	3,876	(105,966)	–	20,893	13,028	(68,169)
Disposal of subsidiaries	–	557	–	(21,280)	(5,986)	(26,709)
At 31 December 2015	21,196	(207,739)	–	102,278	41,953	(42,312)
Credit (charge) to profit or loss	65,424	(84,456)	–	7,971	(22,149)	(33,210)
Arising on acquisition of business *(Note 33)*	–	–	(42,371)	–	–	(42,371)
At 31 December 2016	86,620	(292,195)	(42,371)	110,249	19,804	(117,893)

Analysed for reporting purpose as:

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**216,673**	165,427
Deferred tax liabilities	**(334,566)**	(207,739)
	(117,893)	(42,312)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB189,766,000 (31 December 2015: RMB10,814,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. DEFERRED TAX (CONTINUED)

At 31 December 2016, the Group had unused tax losses of RMB187,812,000 (2015: RMB288,303,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB79,216,000 (2015: RMB167,812,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2016 **RMB'000**	2015 RMB'000
2016	**–**	35,697
2017	**19,268**	19,268
2018	**12,336**	13,719
2019	**29,663**	29,663
2020	**19,911**	22,144
2021	**27,418**	–
	108,596	120,491

22. INVENTORIES OF PROPERTIES

The Group's inventories of properties are situated in the PRC. All of the inventories of properties are stated at the lower of cost and net realisable value. As at 31 December 2016, properties under development of RMB5,715,960,000 (2015: RMB6,573,266,000) is expected to be realised after twelve months from the end of the reporting date.

	2016 **RMB'000**	2015 RMB'000
Properties held for sale	**730,211**	524,433
Properties under development	**9,836,441**	7,987,885
	10,566,652	8,512,318

23. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016 RMB'000	2015 RMB'000
Contract costs incurred plus recognised profit less recognised losses	**1,342,486**	1,342,486
Less: Progress billings	**(1,231,906)**	(1,177,872)
	110,580	164,614

There were no retentions held by customers for contract works at 31 December 2016 and 2015.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Rental receivables	**38,212**	17,103
Prepaid construction costs	**494,151**	692,113
Prepaid business and other taxes	**218,002**	205,780
Deposits for acquisition of land use rights	**1,466**	53,737
Projects related deposits	**99,156**	77,534
Deposit for trust financing arrangement *(Note i)*	**4,800**	18,800
Other deposits	**20,368**	48,949
Entrusted loans receivable *(Note ii)*	**–**	1,044,900
Bills receivables	**700**	–
Advances to staff	**22,411**	20,711
Other receivables *(Note iii)*	**269,703**	222,713
	1,168,969	2,402,340
Less: Non-current portion of deposits	**–**	(18,800)
	1,168,969	2,383,540

Notes:

(i) The amount is deposited in a trust financing company for raising trust loan to a subsidiary of the Group, in which the final repayment date is scheduled to be in July 2017. The deposit will be refunded to the Group upon full repayments of the trust loan.

(ii) Entrusted loans receivable represent the amounts advanced to independent third parties which are unsecured, interest bearing at 4.75% per annum and were repaid in the year 2016.

(iii) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group allows an average credit period of 30 days to its trade customers. No trade receivable is noted at 31 December 2016 and 2015.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the year.

No allowance for doubtful debts on trade and other receivables are noted at 31 December 2016 and 2015.

25. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are denominated in RMB and comprise (i) deposits pledged to banks as at 31 December 2016, to secure the mortgage guarantees provided to customers, amounting to RMB25,805,000 (2015: RMB28,097,000) which will be released upon obtaining building ownership certificates by buyers; and (ii) deposits pledged to banks as at 31 December 2016, to secure bank borrowings raised by the Group, amounting to RMB107,640,000 (2015: RMB617,390,000). The deposits carry fixed rates of interest ranging from 0.35% to 1.95% per annum at 31 December 2016 (2015: 0.35% to 1.95% per annum).

Restricted bank deposits are balances which, in accordance with the applicable government regulations prevailing as at 31 December 2016, are placed in restricted bank deposits, amounting to RMB305,350,000 (2015: RMB211,389,000) which can only be applied in designated property development projects. These bank balances carry prevailing interest at 0.35% per annum at 31 December 2016 (2015: 0.35% per annum).

Bank balances and cash comprise cash held by the Group and demand deposits with an original maturity of three months or less. Bank balances carry prevailing market interest rates ranging from 0.01% to 2.30% per annum at 31 December 2016 (2015: ranging from 0.01% to 2.30% per annum).

Analysis of restricted/pledged bank deposits/bank balances and cash by currency:

	2016 **RMB'000**	2015 RMB'000
– Denominated in RMB	**1,216,874**	880,939
– Denominated in HK$	**156,750**	2,411
– Denominated in US$	**42,824**	624
– Denominated in Canadian dollars	**–**	929
	1,416,448	884,903

26. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/PRE-SALE DEPOSITS RECEIVED

	2016 RMB'000	2015 RMB'000
Trade payables	**405,118**	309,715
Business and other taxes payable	**18,889**	16,917
Accrued charges *(Note i)*	**123,892**	311,391
Deferred income *(Note ii)*	**442,629**	410,976
Payables for acquisition of land	**39,143**	39,871
Deposits related to sales of properties	**49,222**	93,573
Consideration payable for acquisition of a subsidiary *(Note 33)*	**98,052**	–
Deposits and other payables *(Note iii)*	**224,987**	139,021
Other unsecured interest-free advances	**86,470**	61,381
	1,488,402	1,382,845
Less: Non-current portion of deferred income	**(436,341)**	(404,838)
Current portion	**1,052,061**	978,007

Notes:

(i) Accrued charges mainly include construction cost accrued based on construction progress.

(ii) Deferred income comprises (i) deferred rental income from the Group's investment properties and (ii) deferred income arising from transfer of land use right of underground carparks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground carparks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.

(iii) Deposits and other payables mainly represent accrued interest for bank borrowings, senior notes and various deposits received from contractors in relation to tendering and execution of construction contracts.

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payable is 30 days.

26. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/PRE-SALE DEPOSITS RECEIVED (CONTINUED)

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
0–30 days	**193,649**	75,062
31–90 days	**60,353**	26,195
91–180 days	**20,150**	55,083
181–360 days	**20,702**	56,830
Over 360 days	**110,264**	96,545
	405,118	309,715

As at 31 December 2016, pre-sale deposits received of RMB595,303,000 (2015: RMB478,414,000) is expected to be realised after twelve months from the end of the reporting date.

27. BANK AND OTHER BORROWINGS

	2016 RMB'000	2015 RMB'000
Bank loans, secured	**1,680,690**	1,055,686
Bank loans, unsecured	**–**	546,448
Trust loans, secured *(Note (d))*	**1,588,000**	3,560,000
Other loans, secured *(Note (e))*	**2,400,000**	920,000
Other loans, unsecured	**31,370**	54,526
	5,700,060	6,136,660

Bank and other borrowings amounting to RMB5,668,690,000 as at 31 December 2016 (2015: RMB5,535,686,000) are secured by the pledge of assets as set out in note 37, out of which RMB654,271,000 (2015: RMB4,582,115,000) are also guaranteed by a director of the Company and related parties as set out in note 41(e).

Bank and other borrowings amounting to nil as at 31 December 2016 (2015: RMB546,448,000) are unsecured, and guaranteed by a director of the Company and related parties as set out in note 41(e).

27. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) The borrowings are repayable:

	2016 RMB'000	2015 RMB'000
Within one year or on demand	**3,385,640**	3,060,212
More than one year, but not exceeding two years	**2,314,420**	3,076,448
	5,700,060	6,136,660
Less: Amount due within one year shown under current liabilities	**(3,385,640)**	(3,060,212)
Amount due after one year	**2,314,420**	3,076,448

At 31 December 2016, the Group has unutilised banking facilities of RMB203,580,000 (2015: RMB753,552,000).

Except for bank and other borrowings of RMB74,270,000 which are denominated in Hong Kong dollars ("HK$") as at 31 December 2016 (2015: RMB379,313,000), all the bank and other borrowings are denominated in RMB.

(b) Fixed-rate borrowings amounting to RMB5,625,790,000 carry interest ranging from 4% to 20% per annum at 31 December 2016 (2015: RMB6,076,045,000 carry interest ranging from 4% to 36% per annum), and expose the Group to fair value interest rate risk. The remaining borrowings amounting to RMB74,270,000 (2015: RMB60,615,000) are arranged at variable rates with the effective interest rates ranging from 1.72% to 3.22% per annum at 31 December 2016 (2015: ranging from 1.72% to 2.3% per annum), and expose the Group to cash flow interest rate risk.

(c) The range of effective interest rates at the end of each reporting period is as follows:

	2016	2015
Bank loans	**1.72% to 15.96%**	1.72% to 15.96%
Trust loans	**9.8% to 14.5%**	12.9% to 13.5%
Other loans	**9.5% to 20%**	13% to 36%

27. BANK AND OTHER BORROWINGS (CONTINUED)

(d) The borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

The following table sets out details of the trust loans as at 31 December 2016 and 2015:

Name of subsidiary	2016 RMB'000	2015 RMB'000	Maturity date
Nanjing Xinhaoning	–	380,000	25 November 2017
Nanjing Xinhaoning	–	1,000,000	29 July 2017
Nanjing Xinhaoning	–	500,000	29 January 2017
Nanjing Xinhaoning	–	800,000	28 July 2016
Nanjing Gangyuan	480,000	–	23 September 2018
Siyang Fengyuan	280,000	–	31 March 2017
Siyang Fengyuan	–	530,000	28 October 2016
Taixing Guangyuan	258,400	–	27 October 2018
Taixing Guangyuan	114,400	–	3 November 2018
Taixing Guangyuan	48,300	–	10 November 2018
Taixing Guangyuan	39,500	–	17 November 2018
Taixing Guangyuan	17,400	–	24 November 2018
Taixing Hengyuan	150,000	150,000	29 July 2017
Taixing Hengyuan	200,000	200,000	30 September 2017
	1,588,000	3,560,000	

(e) Other loans mainly represent secured loans from asset management companies.

28. SENIOR NOTES

In September 2016, the Company issued senior secured notes with a principal amount of US$100,000,000 due in 2018 (the "Senior Notes") and the Senior Notes are listed on the Stock Exchange. The Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, will mature in September 2018.

On the redemption date, the Group may at any time redeem the Senior Notes, in whole but not in part, at redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. The Group may at any time redeem the Senior Notes, in whole or in part, at any time and from time to time on or after 15 September 2017, at a redemption price equal to 105% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Group must make an offer to repurchase all Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event or a delisting event as defined in the offering circular.

In the opinion of the directors of the Company, the fair value of the early redemption option is insignificant at initial recognition and the end of the financial reporting period.

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 5 May 2015 (date of incorporation), 31 December 2015 and 1 January 2016	38,000,000	380
Increase during the year *(Note i)*	9,962,000,000	99,620
At 31 December 2016	10,000,000,000	100,000
Issued and fully paid		
At 5 May 2015 (date of incorporation), 31 December 2015 and 1 January 2016	1	–
Capitalisation issue *(Note ii)*	1,349,999,999	13,500
Arising from initial public offering upon listing *(Note ii)*	450,000,000	4,500
Exercise of over-allotment option *(Note iii)*	67,500,000	675
At 31 December 2016	1,867,500,000	18,675

Shown in the consolidated financial statements as:

	RMB'000
At 31 December 2016	15,558
At 31 December 2015	–

Notes:

(i) On 12 February 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 new ordinary shares of HK$0.01 each.

(ii) On 8 March 2016, the Company completed the initial public offering of its shares on the Stock Exchange with the issue of 450,000,000 new shares of the Company at HK$2.48 each amounting to HK$1,116,000,000 (equivalent to RMB929,740,000) to public shareholders. The Company intends to use the net proceeds to fund the construction costs of existing property development projects, the land acquisition costs and construction costs of potential property development projects, and general working capital purposes. Also, upon the share premium account of the Company being credited as a result of the global offering of the Company's shares, the Company capitalised the amount of approximately HK$13,500,000 (equivalent to RMB11,247,000) from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,349,999,999 shares for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 12 February 2016, in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company.

(iii) On 30 March 2016, the Company further allotted and issued 67,500,000 new shares at HK$2.48 each amounting to HK$167,400,000 (equivalent to RMB139,461,000) upon the exercise of the over-allotment option by the sole global coordinator.

30. CAPITAL RISK MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of net debts, which include amounts due to related parties, bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Held-to-maturity investment	**129,796**	–
Loans and receivables (including cash and cash equivalents)	**1,497,747**	2,043,210
Available-for-sale investment	**53,820**	–
Financial liabilities		
Amortised cost	**7,026,937**	6,550,165

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, held-to-maturity investment, deposit paid for a life insurance policy, trade and other receivables, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings and senior notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, entrusted loans receivable, bank and other borrowings and senior notes.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank deposits, bank balances, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate and the lending rate quoted by the People's Bank of China arising from the Group's bank and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial years and held constant throughout the respective reporting period. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points higher/lower and all other variables held constant, the Group's profit for the year would decrease/increase by approximately RMB743,000 for the year ended 31 December 2016 (2015: RMB606,000) after taking into account the capitalisation of certain interest expenses in properties under development/investment properties under construction.

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's bank balances as the directors of the Company consider that the exposure is minimal.

Foreign currency risk

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2016 and 2015, the Group has available-for-sale investment, held-to-maturity investment, deposit paid for a life insurance policy, bank balances and cash, bank borrowings and senior notes denominated in foreign currencies as set out in notes 17, 18, 19, 25, 27 and 28, respectively, which expose the Group to foreign currency risk and mainly concentrated on the exposure to AUD, US$ and HK$.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis

No sensitivity analysis has been presented on the exposure to foreign currency risk on the Group's foreign currency denominated deposit paid for a life insurance policy as the directors of the Company consider that the exposure is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's held-to-maturity investment, available-for-sale investment, restricted/pledged bank deposits, bank balances and cash, bank and other borrowings and senior notes denominated in the relevant currency at the end of each reporting period. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	US$ Impact		**AUD Impact**		**HK$ Impact**	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Increase (decrease) in profit for the year	**32,308**	–	**(6,490)**	–	**(6,815)**	18,966

(ii) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 40.

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

Amounts due from related parties at 31 December 2016 mainly represented the amount due from 嘉興市博源建築設計有限公司 ("Jiaxing Boyuan"), which represented 90.9% (2015: 91.4%) of the balances. Jiaxing Boyuan is engaged in project design and decoration in the PRC. The directors of the Company consider the credit risk on the balances is limited.

Apart from amounts due from related parties (refer to note 41(f)), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets of any time during the year reported.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For held-to-maturity investment, the management of the Group reviews that the market price is generally higher than the carrying amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For properties that are presold but development have not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and re-sell the repossessed properties. Therefore, the directors of the Company consider the Group would likely recover any loss incurred arising from the guarantee by it. The directors of the Company consider the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iii) Liquidity risk

The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Interest rate	On demand or within 1 year RMB'000	1–2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2016 RMB'000
Trade and other payables	–	631,227	–	631,227	631,227
Bank and other borrowings					
– Fixed rate	10.38%	3,291,182	2,577,642	5,868,824	5,625,790
– Variable rate	2.06%	74,270	–	74,270	74,270
Senior notes	9.75%	67,826	837,915	905,741	695,650
		4,064,505	3,415,557	7,480,062	7,026,937
Financial guarantee					
– Mortgage guarantees	–	3,376,367	–	3,376,367	–
		7,440,872	3,415,557	10,856,429	7,026,937

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

	Interest rate	On demand or within 1 year RMB'000	1–2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2015 RMB'000
Trade and other payables	–	413,505	–	413,505	413,505
Bank and other borrowings					
– Fixed rate	11.3%	3,566,991	3,270,109	6,837,100	6,076,045
– Variable rate	1.9%	60,615	–	60,615	60,615
		4,041,111	3,270,109	7,311,220	6,550,165
Financial guarantee					
– Mortgage guarantees	–	2,475,048	–	2,475,048	–
		6,516,159	3,270,109	9,786,268	6,550,165

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

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement of financial instrument

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values as at 31 December 2016 and 2015 except for the following financial liability, for which the carrying amount and fair value (based on the quoted ask price) are disclosed below:

		31 December 2016		31 December 2015	
	Fair value hierarchy	**Carrying amount RMB'000**	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Senior Notes *(Note 28)*	Level 1	695,650	685,403	–	–

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) On 27 June 2016, the Group acquired 100% equity interest in Yangzhou Xiangjiang New City Center Property Co., Ltd. ("Yangzhou Xiangjiang") for a consideration of RMB816,279,000. This acquisition has been accounted for as purchase of assets and liabilities. Yangzhou Xiangjiang is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	816,279

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	14
Current assets	
Inventories of properties – under development	817,260
Other receivables	58
Bank balances and cash	200
Current liability	
Trade and other payables	(1,253)
Net assets	816,279

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	816,279
Less: Bank balances and cash acquired	(200)
	816,079

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) On 17 October 2016, the Group acquired 100% equity interest in Hengli Property Nantong Co., Limited ("Hengli Nantong") for a consideration of RMB416,732,000. This acquisition has been accounted for as purchase of assets and liabilities. Hengli Nantong is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	416,732

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	306
Current assets	
Inventories of properties – under development	658,823
Other receivables and prepayments	1,568
Bank balances and cash	33,698
Current liabilities	
Trade and other payables	(651)
Amount due to immediate holding company	(271,940)
Amount due to a fellow subsidiary	(5,072)
Net assets	416,732

Net cash flows on acquisition of subsidiaries

	RMB'000
Consideration paid in cash	416,732
Less: Bank balances and cash acquired	(33,698)
	383,034

33. ACQUISITION OF BUSINESS

On 15 October 2016, the Group acquired 80% equity interest in Jiangsu De Run Hong Xiang Property Co., Ltd. ("Jiangsu De Run") for a consideration of RMB257,552,000. This acquisition has been accounted for using the purchase method because Jiangsu De Run has started to pre-sale the properties under development at the date of acquisition. The amount of bargain purchase arising as a result of the acquisition was RMB102,498,000. Jiangsu De Run is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	159,500
Consideration payable	98,052
Total consideration	257,552

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	197
Current assets	
Inventories of properties – under development	598,000
Other receivables and prepayments	18,736
Bank balances and cash	2,406
Current liabilities	
Trade and other payables	(1,627)
Pre-sale deposits received	(125,278)
Deferred tax liabilities	(42,371)
Net assets	450,063

33. ACQUISITION OF BUSINESS (CONTINUED)

Gain on bargain purchase arising on acquisition

	RMB'000
Consideration	257,552
Add: Non-controlling interests (20% of Jiangsu De Run)	90,013
Less: Net assets acquired	(450,063)
Gain on bargain purchase arising on acquisition	(102,498)

The non-controlling interests (20%) in Jiangsu De Run recognised at the acquisition date was measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets acquired of the non-controlling interests and amounted to RMB90,013,000.

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	159,500
Less: Bank balances and cash acquired	(2,406)
	157,094

34. DISCONTINUED OPERATIONS

Pursuant to the Reorganisation, some of the companies had been carved out from the Group in order to achieve that only the project companies located in the Target Cities become subsidiaries of the Company. Those other property operations being carved out were presented as discontinued operations. The disposal of the carved out companies was completed on 2 June 2015 through a number of disposal of subsidiaries, details of which were set out in note 35.

34. DISCONTINUED OPERATIONS (CONTINUED)

The result of the discontinued operations for the year ended 31 December 2015, which had been included in the consolidated statement of profit or loss and other comprehensive income, was as follows:

	2015 RMB'000
Revenue	2,164
Cost of sales	(712)
Gross profit	1,452
Other income	121
Other gains and losses	2
Change in fair value of investment properties	200
Distribution and selling expenses	(8,078)
Administrative expenses	(6,303)
Other expenses	(97)
Finance costs	(6,999)
Share of results of associates	(5,864)
Loss before taxation	(25,566)
Income tax credit	2,221
Loss for the year	(23,345)

Loss for the year from discontinued operations has been arrived at after charging (crediting):

	2015 RMB'000
Staff salaries and allowance	2,165
Retirement benefits scheme contributions	350
Total staff costs	2,515
Auditors' remuneration	5
Cost of properties recognised as expenses	712
Interest income	(6)
Depreciation of property and equipment	282
Rental income from investment properties (net of negligible outgoings)	375
Finance costs	
– Interest on bank and other borrowings	6,999

34. DISCONTINUED OPERATIONS (CONTINUED)

Cash flows for the year ended 31 December 2015 was as follows:

	2015 RMB'000
Net cash from operating activities	204,017
Net cash used in investing activities	(21,021)
Net cash used in financing activities	(180,192)
Net cash inflows	2,804

The carrying amounts of the assets and liabilities attributable to the discontinued operations at the date of disposal were disclosed in note 35.

35. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2015, the Group carried out the Reorganisation pursuant to which the Group had disposed of the following subsidiaries:

(a) On 18 April 2015, the Group disposed of entire equity interests in Jin Jiang which carried out hotel operations in the PRC through its non-wholly owned subsidiary for a consideration of HK$1.

(b) On 29 May 2015, the Group disposed of entire 80% equity interests in Fundland Development which carried out property development in the PRC through its wholly owned subsidiary for a consideration of HK$1.

(c) On 21 May 2015, the Group disposed of entire 60% equity interests in Jiaxing Jindi which carried out property development in the PRC for a consideration of RMB144,000,000.

(d) On 15 May 2015, the Group disposed of entire 90% equity interests in Haining Jia Yuan which, together with its 80% owned subsidiary Haining Hongxiang (the "Haining Jia Yuan Group"), carried out property development in the PRC for a consideration of RMB252,900,000.

(e) On 2 June 2015, the Group disposed of entire equity interests in Jiaxing Jinyuan which carried out property investment in the PRC for a consideration of RMB25,200,000.

35. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of assets and liabilities over which control was lost

	Jin Jiang RMB'000	Fundland Development RMB'000	Jiaxing Jindi RMB'000	Haining Jia Yuan Group RMB'000	Jiaxing Jinyuan RMB'000	Total RMB'000
Non-current assets						
Investment properties	–	–	–	–	26,280	26,280
Property and equipment	44,779	56	374	1,140	–	46,349
Interests in associates	1,000	–	–	–	–	1,000
Deferred tax assets	–	–	21,280	5,986	–	27,266
Current assets						
Properties held for sale	–	–	37,148	–	–	37,148
Properties under development	–	–	350	1,564,675	–	1,565,025
Other receivables, deposits and prepayments	915	2,998	11,446	41,515	4,196	61,070
Tax recoverable	–	–	7,067	11,118	–	18,185
Amounts due from related parties	4,446	–	307,527	33,735	4,568	350,276
Restricted/pledged bank deposits	–	–	–	8,628	–	8,628
Bank balances and cash	15	258	2,093	5,784	229	8,379
Current liabilities						
Trade and other payables and accrued expenses	(51,101)	(4,594)	(30,323)	(103,168)	(64)	(189,250)
Pre-sale deposits received	–	–	–	(591,660)	–	(591,660)
Amounts due to related parties	(3)	–	(134,427)	(223,258)	–	(357,688)
Bank and other borrowings	–	–	(30,394)	(409,020)	–	(439,414)
Non-current liabilities						
Deferred income	–	–	(83,540)	–	–	(83,540)
Deferred tax liabilities	–	–	–	–	(557)	(557)
Net assets (liabilities) disposed of	51	(1,282)	108,601	345,475	34,652	487,497

35. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Gain (loss) on disposal of subsidiaries

	Jin Jiang RMB'000	Fundland Development RMB'000	Jiaxing Jindi RMB'000	Haining Jia Yuan Group RMB'000	Jiaxing Jinyuan RMB'000	Total RMB'000
Consideration receivable	–	–	144,000	252,900	25,200	422,100
Non-controlling interests	3,190	(4,048)	61,648	110,605	–	171,395
Net (assets) liabilities disposed of	(51)	1,282	(108,601)	(345,475)	(34,652)	(487,497)
Gain (loss) on disposal	3,139	(2,766)	97,047	18,030	(9,452)	105,998

The net gain on disposal is recognised in other reserve.

Net cash (outflow) inflow on disposal of subsidiaries

	Jin Jiang RMB'000	Fundland Development RMB'000	Jiaxing Jindi RMB'000	Haining Jia Yuan Group RMB'000	Jiaxing Jinyuan RMB'000	Total RMB'000
Consideration received in cash	–	–	144,000	252,900	–	396,900
Less: Bank balances and cash disposed of	(15)	(258)	(2,093)	(5,784)	(229)	(8,379)
	(15)	(258)	141,907	247,116	(229)	388,521

The consideration for the disposal of Jiaxing Jinyuan of RMB25,200,000 was settled through current account with a director.

36. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contributions is matched by employees.

37. PLEDGE OF ASSETS

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Pledged bank deposits	**133,445**	645,487
Prepayment and deposit paid for a life insurance policy	**9,513**	9,584
Property and equipment	**77,215**	78,849
Investment properties	**1,139,599**	1,333,310
Properties under development	**9,185,976**	7,154,981
Properties held for sale	**176,035**	244,897
	10,721,783	9,467,108

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of leased properties under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**901**	510
In the second to fifth year inclusive	**120**	600
	1,021	1,110

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms ranging from 1 to 2 years with fixed rentals.

38. OPERATING LEASE COMMITMENTS (CONTINUED)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**14,472**	23,511
In the second to fifth year inclusive	**70,312**	82,911
After five years	**96,189**	100,198
	180,973	206,620

Leases are negotiated for terms ranging from 1 to 10 years with fixed rentals.

39. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respects of projects classified as properties under development for sales and investment properties under construction	**3,696,866**	4,047,741

40. CONTINGENT LIABILITIES

	2016 RMB'000	2015 RMB'000
Mortgage guarantees	**3,376,367**	2,475,048

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and as at 31 December 2016 and 2015.

Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

41. RELATED PARTY TRANSACTIONS AND BALANCES

The Group entered into the following significant transactions with its related parties during the year:

(a) Procurement of intelligent system equipment

	2016 RMB'000	2015 RMB'000
Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu") 浙江西谷數字技術有限公司	**9,072**	8,504
Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu") 嘉興市德宇電子科技有限公司	**907**	2,206

Zhejiang Xigu and Jiaxing Deyu are controlled by close family members of the Ultimate Shareholder.

(b) Architectural design fee

	2016 RMB'000	2015 RMB'000
Jiaxing Boyuan	**12,279**	35,936

Jiaxing Boyuan is an entity controlled by the Ultimate Shareholder.

(c) Property management fee

	2016 RMB'000	2015 RMB'000
Jia Yuan Property	**9,318**	5,247

Jia Yuan Property is an entity controlled by the Ultimate Shareholder and was an associate of the Group prior to the Group's disposal of its equity interest.

41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Sale of investment property

	2016 RMB'000	2015 RMB'000
Jiangsu Five Star Appliance Co., Ltd. ("Jiangsu Five Star") 江蘇五星電器有限公司	–	271,516

Jiangsu Five Star is an entity controlled by the Ultimate Shareholder.

(e) Financial guarantees provided by a director of the Company, a related party whom is the spouse of a director of the Company and a related company which are under common control of the Ultimate Shareholder for bank and other borrowings of the Group:

	2016 RMB'000	2015 RMB'000
Bank and other borrowings guaranteed by a director of the Company and related parties	**654,271**	5,128,563

(f) Related party balances

At the end of each year, the Group has the following significant balances with related parties:

	2016 RMB'000	2015 RMB'000
Amounts due from related parties		
Trade nature		
Jiaxing Boyuan	**3,578**	46,431
Zhejiang Xigu	–	4,391
Jiaxing Deyu	**356**	–
	3,934	50,822

41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(f) Related party balances (Continued)

	2016 RMB'000	2015 RMB'000
Amount due to a related party		
Trade nature		
Zhejiang Xigu	**140**	–

The above balances are unsecured, non-interest bearing and repayable on demand.

(g) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2016 RMB'000	2015 RMB'000
Short term benefits	**9,600**	7,033
Post-employment benefits	**225**	176
	9,825	7,209

The remuneration of directors and other key executives is determined having regard to the performance of individuals and market trends.

42. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the Company's subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2016	2015	2016	2015			
Jiayuan Investment Management Limited 佳源投資管理有限公司	BVI 8 May 2015	**100%**	100%	**–**	–	US$1	Hong Kong	Investment holding
Jiayuan Commercial Properties Company Limited 佳源商業地產有限公司	BVI 10 November 2015	**–**	–	**100%**	100%	US$1	Hong Kong	Investment holding
Hong Kong Jiayuan Commercial Properties Limited 香港佳源商業地產有限公司	Hong Kong 30 November 2015	**–**	–	**100%**	100%	HK$10,000	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong 29 April 2008	**–**	–	**100%**	100%	HK$990,000	Hong Kong	Investment and property holding
Guo Xiang Property Co., Limited 國祥房地產有限公司	Hong Kong 2 October 2003	**–**	–	**100%**	100%	HK$10,000	Hong Kong	Investment holding
Nanjing Xinhaoning Property Development Co., Limited 南京新浩寧房地產開發有限公司	PRC, Sino-foreign joint venture enterprise 11 August 2005	**–**	–	**100%**	100%	US$99,000,000	PRC	Property development
Nanjing Gangyuan Investment Consulting Co., Limited 南京港源投資諮詢有限公司	PRC, wholly foreign owned enterprise 27 May 2015	**–**	–	**100%**	100%	RMB1,000,000	PRC	Investment holding
Nanjing Jia Feng Investment Management Co., Limited 南京嘉豐投資管理有限公司	PRC, domestic enterprise 27 December 2011	**–**	–	**100%**	100%	RMB5,000,000	PRC	Investment holding
Changzhou Jinyuan Property Development Co., Limited 常州金源房地產開發有限公司	PRC, wholly foreign owned enterprise 7 August 2013	**–**	–	**100%**	100%	RMB70,500,000	PRC	Property development

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2016	2015	2016	2015			
Suqian Jia Yuan Property Development Co., Limited 宿遷市佳源房地產開發有限公司	PRC, domestic enterprise 7 August 2009	–	–	90%	90%	RMB60,000,000	PRC	Property development
Siyang Fengyuan Property Development Co., Limited 泗陽豐源房地產開發有限公司	PRC, domestic enterprise 6 March 2012	–	–	100%	100%	RMB50,000,000	PRC	Property development and investment
Taixing Guangyuan Property Development Co., Limited 泰興市廣源房地產開發有限公司	PRC, domestic enterprise 17 November 2009	–	–	100%	100%	RMB300,000,000	PRC	Property development and investment
Taixing Hengyuan Property Development Co., Limited 泰興市恒源房地產開發有限公司	PRC, domestic enterprise 16 February 2012	–	–	100%	100%	RMB26,670,000	PRC	Property development and investment
Taixing Mingyuan Property Development Co., Limited 泰興市明源房地產開發有限公司	PRC, wholly foreign owned enterprise 25 October 2013	–	–	100%	100%	US$10,000,000	PRC	Property development
Taizhou Jia Yuan Property Development Co., Limited 泰州市佳源房地產開發有限公司	PRC, domestic enterprise 31 July 2007	–	–	100%	100%	RMB140,000,000	PRC	Property development and investment
Taizhou Mingyuan Property Development Co., Limited 泰州市明源房地產開發有限公司	PRC, domestic enterprise 10 March 2010	–	–	100%	100%	RMB60,000,000	PRC	Property development and investment
Yangzhou Guangyuan Property Development Co., Limited 揚州廣源房地產開發有限公司	PRC, Sino-foreign joint venture enterprise 20 June 2003	–	–	100%	100%	US$22,560,000	PRC	Property development and investment
Yangzhou Hengyuan Property Development Co., Limited 揚州市恒源房地產開發有限公司	PRC, domestic enterprise 1 August 2007	–	–	100%	100%	RMB40,000,000	PRC	Property development and investment

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2016	2015	2016	2015			
Yangzhou Mingyuan Property Development Co., Limited 揚州明源房地產開發有限公司	PRC, domestic enterprise 16 January 2008	–	–	100%	100%	RMB10,000,000	PRC	Property development and investment
Hengli Property Natong Limited 恒力房地產南通有限公司	PRC, domestic enterprise 5 September 2012	–	–	100% *(Note vii)*	–	RMB607,750,000	PRC	Property development and investment
Nantong Lishun Property Limited 南通力順置業有限公司	PRC, domestic enterprise 14 December 2012	–	–	100% *(Note vii)*	–	RMB20,000,000	PRC	Property development and investment
Yangzhou Xiangjiang New City Centre Property Limited 揚州香江新城市中心置業有限公司	PRC, domestic enterprise 24 November 2015	–	–	100% *(Note viii)*	–	RMB400,000,000	PRC	Property development and investment
Nanjing jiayuan Commercial Management Limited 南京佳源商業管理有限公司	PRC, wholly foreign owned enterprise 20 June 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment
Hong Kong You Kids Playground Limited 香港優優兒童娛樂有限公司	Hong Kong 15 August 2016	–	–	100% *(Note ix)*	–	HK$10,000	Hong Kong	Investment holding
Jiayuan (Shenzhen) Investment Consultancy Limited 佳源(深圳)投資諮詢有限公司	PRC, wholly foreign owned enterprise 1 September 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment
Changzhou Chongyuan Commercial Management Limited 常州崇源商業管理有限公司	PRC, domestic enterprise 1 September 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment
Yangzhou Jiayuan Commercial Management Limited 揚州佳源商業管理有限公司	PRC, domestic enterprise 23 September 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2016	2015	2016	2015			
Taizhou Mingyuan Commercial Management Limited 泰州明源商業管理有限公司	PRC, domestic enterprise 29 September 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment
Yangzhou jiayuan Commercial Management Limited 揚州金源商業管理有限公司	PRC, wholly foreign owned enterprise 16 November 2016	–	–	100% *(Note ix)*	–	US$3,000,000	PRC	Property development and investment
Jiangsu Derun Hongxiang Property Limited 江蘇德潤鴻翔置業有限公司	PRC, domestic enterprise 9 December 2009	–	–	80% *(Note x)*	–	RMB20,000,000	PRC	Property development and investment
Taixing Jiayuan Commercial Management Limited 泰興市佳源商業管理有限公司	PRC, domestic enterprise 20 September 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment
Taixing Hengyuan Commercial Management Limited 泰興市恒源商業管理有限公司	PRC, domestic enterprise 19 September 2016	–	–	100% *(Note ix)*	–	RMB100,000	PRC	Property development and investment
Yangzhou Guangyuan Property Management Limited 揚州港源置業管理有限公司	PRC, domestic enterprise 22 September 2016	–	–	70% *(Note ix)*	–	RMB10,000,000	PRC	Property development
Jiaxing Jinyuan Information Consulting Co., Limited 嘉興市金源信息諮詢有限公司	PRC, wholly foreign owned enterprise 2 April 2010	–	–	–	– *(Note vi)*	US$4,000,000	PRC	Property investment
Jin Jiang Investment Limited 錦江投資管理有限公司	Hong Kong 8 November 2013	–	–	–	– *(Note ii)*	HK$10,000	Hong Kong	Investment holding
Tongxiang Yuanshun Venice Hotel Co., Limited 桐鄉元順威尼斯大酒店有限公司	PRC, Sino-foreign joint venture enterprise 17 December 2009	–	–	–	– *(Note ii)*	US$5,560,000	PRC	Hotel operation

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2016	2015	2016	2015			
Haining Jia Yuan Property Development Co., Limited 海寧市佳源房地產開發有限公司	PRC, domestic enterprise 21 November 2012	–	–	–	– *(Note iii)*	RMB281,000,000	PRC	Property development
Haining Jia Yuan Hongxiang Property Development Co., Limited 海寧市佳源鴻翔房地產開發有限公司	PRC domestic enterprise 30 May 2013	–	–	–	– *(Note iii)*	RMB51,000,000	PRC	Property development
Jiaxing Jindi Property Development Co., Limited 嘉興市金地房地產置業有限公司	PRC domestic enterprise 3 August 2001	–	–	–	– *(Note iv)*	RMB240,000,000	PRC	Property development
Fundland Development Limited 銀田發展有限公司	Hong Kong 3 August 2009	–	–	–	– *(Note v)*	HK$10,000	Hong Kong	Investment holding
Chengdu Fundland Sports Development Co., Limited 成都銀田體育發展有限公司	PRC, wholly foreign owned enterprise 12 November 2009	–	–	–	– *(Note v)*	US$3,000,000	PRC	Property development

Notes:

i. The English name for all of the above subsidiaries established in the PRC is translated for identification purpose only.
ii. The subsidiaries were disposed of on 18 April 2015.
iii. The subsidiaries were disposed of on 15 May 2015.
iv. The subsidiary was disposed of on 21 May 2015.
v. The subsidiaries were disposed of on 29 May 2015.
vi. The subsidiary was disposed of on 2 June 2015.
vii. The subsidiaries were acquired on 17 October 2016.
viii. The subsidiary was acquired on 27 June 2016.
ix. These subsidiaries were established during the year.
x. The subsidiary was acquired on 15 October 2016.

None of the subsidiaries had issued any debt securities at the end of the year.

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

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

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

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Suqian Jia yuan	PRC	**10**	10	**(1,746)**	9,351	**18,132**	19,878
Jiangsu De Run	PRC	**20**	–	**(203)**	–	**89,810**	–
Individually immaterial subsidiaries with non-controlling interests				**–**	(2,199)	**–**	–
Total				**(1,949)**	7,152	**107,942**	19,878

Summarised financial information in respect of the Company's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

Suqian Jia Yuan

	2016	2015
	RMB'000	RMB'000
Current assets	**1,482,604**	1,767,904
Non-current assets	**41,761**	30,223
Current liabilities	**(1,208,375)**	(1,182,635)
Non-current liabilities	**(134,667)**	(416,707)
Total equity	**181,323**	198,785
Equity attributable to owners of the Company	**163,191**	178,907
Non-controlling interests	**18,132**	19,878

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Suqian Jia Yuan (Continued)

	2016 RMB'000	2015 RMB'000
Revenue	**195,413**	840,204
Other income	**165**	2,060
Expenses	**(213,037)**	(732,439)
(Loss) profit and total comprehensive (expense) income for the year	**(17,459)**	109,825
(Loss) profit attributable to owners of the Company	**(15,713)**	100,474
(Loss) profit attributable to the non-controlling interests	**(1,746)**	9,351
Net cash inflow from operating activities	**94,951**	191,883
Net cash outflow from investing activities	**(9,376)**	(8,700)
Net cash inflow (outflow) from financing activities	**140,214**	(192,964)
Net cash inflow (outflow)	**225,789**	(9,781)

Jiangsu De Run

	2016 RMB'000
Current assets	**481,272**
Non-current assets	**176**
Current liabilities	**(475,083)**
Non-current liabilities	**–**
Total equity	**6,365**
Equity attributable to owners of the Company	**(83,445)**
Non-controlling interests	**89,810**

42. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Jiangsu De Run (Continued)

	15.10.2016 to 31.12.2016 RMB'000
Revenue	–
Other income	136
Expenses	(1,152)
Loss and total comprehensive expense for the period	(1,016)
Loss attributable to owners of the Company	(813)
Loss attributable to the non-controlling interests	(203)
Net cash outflow from operating activities	(164,259)
Net cash outflow from investing activities	(377)
Net cash inflow from financing activities	185,057
Net cash inflow	20,421

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**52,846**	–
Amounts due from subsidiaries	**1,408,053**	–
	1,460,899	–
CURRENT ASSETS		
Other receivables and prepayments	**496**	35
Held-to-maturity investment	**129,796**	–
Bank balances and cash	**110,101**	–
	240,393	35
CURRENT LIABILITIES		
Accrued expenses	**23,193**	590
Amounts due to subsidiaries	**–**	15,829
	23,193	16,419
NET CURRENT ASSETS (LIABILITIES)	**217,200**	(16,384)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,678,099**	(16,384)
CAPITAL AND RESERVES		
Share capital	**15,558**	–
Reserves	**966,891**	(16,384)
TOTAL EQUITY	**982,449**	(16,384)
NON-CURRENT LIABILITY		
Senior notes	**695,650**	–
	1,678,099	(16,384)

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements of reserves:

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 5 May 2015, date of incorporation	–	–	–
Loss and total comprehensive expense for the period	–	(16,384)	(16,384)
At 31 December 2015	–	(16,384)	(16,384)
Issue of shares through initial public offering upon listing	925,991	–	925,991
Capitalisation	(11,247)	–	(11,247)
Exercise of over-allotment option	138,899	–	138,899
Share issuance costs	(33,249)	–	(33,249)
Loss and total comprehensive expense for the year	–	(37,119)	(37,119)
At 31 December 2016	**1,020,394**	**(53,503)**	**966,891**

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Revenue (from continuing operations)	2,094,856	2,544,619	2,318,266	1,872,615	**3,702,081**
Profit before taxation	252,414	508,283	376,860	509,360	**1,469,854**
Income tax expense	(116,521)	(196,602)	(184,132)	(198,119)	**(660,650)**
Profit for the year from continuing operations	135,893	311,681	192,728	311,241	**809,204**
Attributable to:					
Owners of the Company	132,325	296,575	192,493	298,570	**811,153**
Non-controlling interests	3,568	15,106	235	12,671	**(1,949)**
	135,893	311,681	192,728	311,241	**809,204**

ASSETS AND LIABILITIES

	As at 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Total assets	7,874,013	11,516,637	12,663,153	13,943,758	**17,401,660**
Total liabilities	(6,721,555)	(9,980,831)	(10,860,823)	(12,563,675)	**(14,086,408)**
Net assets	1,152,458	1,535,806	1,802,330	1,380,083	**3,315,252**
Equity attributable to owners of the Company	1,042,580	1,397,535	1,588,490	1,360,205	**3,207,310**
Non-controlling interests	109,878	138,271	213,840	19,878	**107,942**
	1,152,458	1,535,806	1,802,330	1,380,083	**3,315,252**

Note: The results for the years ended 31 December 2012, 2013 and 2014 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the years ended 31 December 2012, 2013 and 2014 have been extracted from the Company's Prospectus dated 26 February 2016.