WUZHOU INTERNATIONAL

(Incorporated in the Cayman Islands with limited liability)
Stock code: 01369

WUZHOU INTERNATIONAL HOLDINGS LIMITED
五洲國際控股有限公司

ANNUAL REPORT 2016

RESPONSIBLE REAL ESTATE

Healthy Commercial Business

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Corporate Information

DIRECTORS

Executive Directors

Mr. Shu Cecheng (Chairman)
Mr. Shu Cewan (Chief Executive Officer)

Non-Executive Director

Mr. Wang Wei

Independent Non-Executive Directors

Dr. Song Ming
Mr. Lo Kwong Shun, Wilson
Prof. Shu Guoying

COMPANY SECRETARY

Mr. Cheung Man Hoi

AUTHORIZED REPRESENTATIVES

Mr. Cheung Man Hoi
Mr. Shu Cecheng

AUDIT COMMITTEE

Mr. Lo Kwong Shun, Wilson (Committee Chairman)
Dr. Song Ming
Prof. Shu Guoying

REMUNERATION COMMITTEE

Dr. Song Ming (Committee Chairman)
Mr. Shu Cewan
Prof. Shu Guoying

NOMINATION COMMITTEE

Mr. Shu Cecheng (Committee Chairman)
Dr. Song Ming
Mr. Lo Kwong Shun, Wilson

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China Limited
Bank of Communications Co., Ltd
Industrial and Commercial Bank of China Limited
Xiamen International Bank

LEGAL ADVISORS

As to Hong Kong Law

Shearman & Sterling

As to PRC Law

Global Law Office

As to Cayman Islands Law

Walkers

REGISTERED OFFICE

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

CORPORATE HEAD OFFICE IN HONG KONG

Unit 5105, 51/F
The Center
99 Queen's Road Central
Central
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

19th Floor
Wuzhou International Columbus Plaza Tower B
287 Guangyi Road
Wuxi
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

Share Listing

The Company's ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 01369

Senior Notes Listing

The Company's 13.75%, 5 years senior notes due 2018
The Stock Exchange of Hong Kong Limited
Stock code: 05970

WEBSITE

http://www.wz-china.com

GENERATE WEALTH

for the Society


伊诺咖啡 2F
欢乐牧场 4F
诺欢乐世界
纳斯卡KTV
万达影城
3号门入口处
经营产品

FINANCIAL HIGHLIGHTS

Key income statement items

(RMB million)	2016	2015
Revenue	3,788	3,333
Property sales	3,436	3,085
Revenue from property operations[1]	352	248
Gross profit	1,345	715
Gross margin	35.5%	21.5%
Profit and total comprehensive income for the year	109	(561)
Profit attributable to owners of the parent	101	(482)
Basic EPS (RMB)	0.02	(0.10)

Note:

1 Income from property operation includes rental income, commercial management service income, property consulting service income, property management service income, commissions from concessions from concessionaire sale and others.

Key balance sheet items

(RMB million)	End of 2016	End of 2015
Total assets	23,470	21,002
Total liabilities	19,320	16,986
Total equity	4,150	4,016
Equity attributable to owners of the parent	3,645	3,558
Cash[1]	3,761	2,551
Total debt	10,615	7,510
Long-term debt[2]	5,927	4,142
Short-term debt	4,688	3,367
Net gearing[3]	165.2%	123.5%

Notes:

1 Including restricted cash and pledged deposits.

2 Including bank and other borrowings and senior notes.

3 Net gearing is calculated as net borrowings (bank and other borrowings and senior notes net of cash equivalents, pledged deposits and restricted cash divided by total equity.

HIGHLIGHTS OF THE YEAR

2016

MARCH

1. Wuzhou International entered into a cooperation agreement with MYbank and KXTX.cn and held a launch ceremony of e-commerce platform of Wuzhou, www.wzhgo.com

APRIL

2. Wuzhou International held a signing ceremony marking a strategic cooperation framework agreement entered into with Hongling Capital

MAY

3. Zhangzhou Wuzhou City Phase I marked a grand launch

4. Baoshan Wuzhou International Plaza held its opening ceremony

5. Zhengzhou Wuzhou City Phase I, an integrated trade market for hardward & electrical appliances, held its opening ceremony

JUNE

6. Wuzhou International held a signing ceremony marking a cooperation agreement entered into with 江蘇萬博集團 (Jiangsu Wanbo Group*) for managing a project in Yangzhou by Wuzhou International on behalf of Jiangsu Wanbo Group*

7. Luoyang Wuzhou International Industrial Exhibition City held its opening ceremony

* *For identification purpose only*

AUGUST

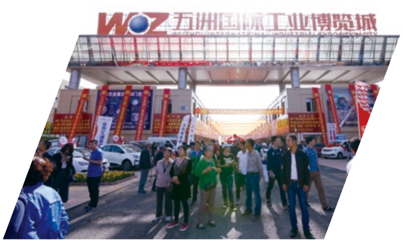
8. Qianzhou Wuzhou International Plaza held its opening ceremony

9. First tranche of non-public on-shore corporate bonds with a principal amount of RMB500 million was issued by Wuxi Wuzhou International Ornamental City Co., Ltd.* (無錫五洲國際裝飾城有限公司), a subsidiary of Wuzhou International

SEPTEMBER

10. Second tranche of non-public on-shore corporate bonds with a principal amount of RMB1,500 million was issued by Wuxi Wuzhou International Ornamental City Co., Ltd.* (無錫五洲國際裝飾城有限公司), a subsidiary of Wuzhou International

11. Shenyang Wuzhou International Industrial Exhibition City held its opening ceremony



12. Wuzhou International acquired a land for commercial use in New Town Logistic Region in Chongqing jointly with China Supply and Marketing Agricultural Production Wholesale Market Holding Co., Ltd.* (中國供銷農產品批發市場控股有限公司), a central government owned enterprise

13. Changchun Wuzhou International Plaza held its opening ceremony

* *For identification purpose only*

OCTOBER

14. Wuzhou International entered into a strategic cooperation framework agreement with 重慶商業投資集團 (Chongqing Commercial Investment Group*)

15. Mr. Shu Cewan, the Group's chief executive officer, attended the Global Summit of E-commerce Leaders 2016 held in Hangzhou, China

NOVEMBER

16. Xuzhou Wuzhou Road-Port Project held its opening ceremony

DECEMBER

17. Longkou Wuzhou International Trade City Phase II held its opening ceremony

18. Wuzhou International entered into a strategic cooperation agreement with China Leadbank Financial Service Group Co., Ltd.

* *For identification purpose only*

HONOURS AND AWARDS

2016 Top 100 Commercial Real Estate Developer in China, Leading Commercial Real Estate Brand in China

www.guandian.cn/

2016 Top 100 Private Enterprises in Tertiary Sector in China

All-China Federation of Industry & Commerce

2016 Top 100 Community Services Providers in China,
Top 5 Community Services Providers – Industrial Parks in China

E&H China

Best CEO of Listed Company at China Securities Golden Bauhinia Awards

Ta Kung Pao

Outstanding Contributor in the "Returning of Wenzhou Businessmen" Project

the CPC Wenzhou Municipal Committee, Wenzhou People's Government

SOCIAL RESPONSIBILITIES

CHARITY WALK FOR BOOK DONATION BY ZHENGZHOU WUZHOU CITY

With a view to spread positive vibes, take on social responsibilities for the benefit of the public and offer help to the educational development of the poor, Zhengzhou Wuzhou City, Zhengzhou Municipal Market Development Bureau and Zhengzhou Market Association jointly participated in the "Charity Walk for Book Donation" on 21 June 2016 organised by Village Committee of Houhe Village in Shidao Township, Dengfeng City, providing the village children with books, bookshelves and computers.

Mutual care and difficulty support are the values of social advocacy today, and a harmonious society shall be built by the support and the participation of everyone. Zhengzhou Wuzhou City has always eagerly accepted corporate social responsibility for charity by participating in a number of donation events. It has attached significance to charity for public benefit and embodied the operational vision of "Being a responsible real estate developer and staying healthy in business" by taking actions to give back to the society.

TYPHOON RELIEF IN TAISHUN BY WUZHOU INTERNATIONAL

On 15 September 2016, Meranti, the strongest typhoon around the globe in 2016, slammed into South-Eastern China with lashing rain and landed in Xiamen, creating landfalls and mudflows. Fujian and Zhejiang were severely affected with huge loss suffered. Taishun County in Wenzhou City, Zhejiang Province was heavily affected by the outer bands of "Meranti", causing landfalls and a number of people being trapped by roadblocks.

Wuzhou International initiated an immediate meeting and promptly facilitated communication with the local government for typhoon relief in Taishun, launching the "Typhoon Relief Campaign in Taishun". On 17 September 2016, resources were mobilised and an aid convoy was sent to Taishun by Wuzhou International with food supplies, blankets and water for emergency and disaster relief.

The "Typhoon Relief Campaign in Taishun" has vividly embodied the spirit of selfless giving of Wuzhou International. Such move is believed to produce strength and solidarity with the people in Taishun, encouraging them to rebuild their homes and livelihoods.

WUZHOU INTERNATIONAL

is committed to building an integrated trading platform for customers and becoming a leading developer and operator of integrated trading and logistics platform

On behalf of the board of directors (the "Directors"), I hereby present the annual results of Wuzhou International Holdings Limited ("Wuzhou International" or the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2016.

In 2016, supply-side reform in China initially showed positive effects, though downward trend in investment, spending and foreign trade has demonstrated a shaky economic foundation. In the beginning of the fourth quarter in 2016, China's property market began to cool down apparently after the launch of the policies of "purchase and mortgage restriction" in a number of cities as well as tightening financing rules for property developers by the PRC government. In response to a weak economic environment, small and middle sized enterprises remained cautious in investments, and high destocking pressure remained in the commercial property market. The Group continued to build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements for its healthy business development.

ANNUAL RESULTS

During the year, the turnover of the Group was approximately RMB3,788 million, representing an increase of 13.7% to that of 2015. The Company recorded profit for the year attributable to the equity holders of approximately RMB101 million in 2016, as compared to a loss of RMB482 million in 2015.

OPERATIONAL REVIEW

Sales Performance

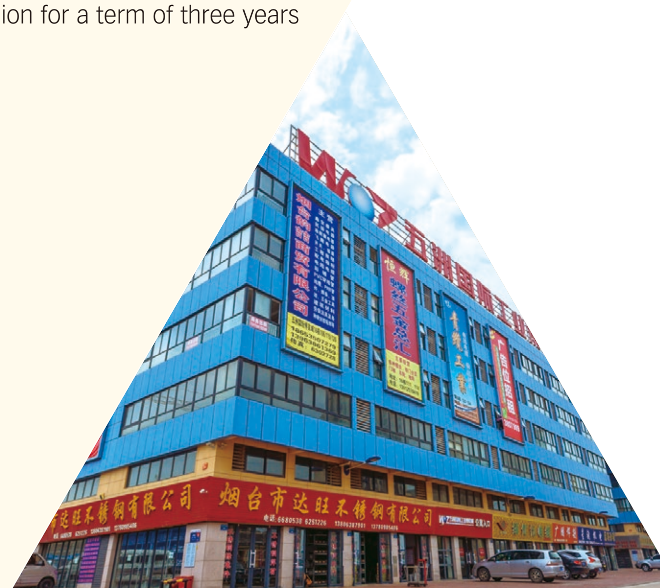
The Group's investment has focused on "production oriented markets", "markets which relocated away from city centre" and "industry demand based markets" to ensure accurate marketing and quality operation of the trade logistics parks of the Group. In 2016, the Group recorded contracted sales of approximately RMB4,068 million with GFA of contracted sales of approximately 643,000 sq.m., among which approximately RMB2,624 million or 432,000 sq.m. was from the sales of trade logistics centers, while approximately RMB1,444 million or approximately 210,000 sq.m. was from the sales of multifunctional commercial complexes.

BUSINESS STRATEGY

Wuzhou International is committed to building an integrated trading platform for customers and becoming a leading developer and operator of integrated trading and logistics platform, providing small and medium enterprises effective one-stop integrated services. As stated by the Group at the end of 2015, in view of sluggish macroeconomic performance in 2016, the strategy of the Group would aim to properly manage the speed of projects development, reduce capital expenditures, facilitate inventory clearance and accelerate cash return; while completing product transformation and service upgrade as well as expediting progress of light-asset development through innovative corporate growth model. The Group continued to establish the management system for brand licensing with its own features and launch the upgraded version of its own e-commerce platform, wzhgo.com, in order to expand comprehensive financial services, such as chattel financing, and provide storage and logistics management, integrating the extensional functions of "market + logistics + e-commerce + finance".

Establishment of Wide Range of Financing Pipes

The Group has closely monitored the domestic capital market. Wuxi Wuzhou International Ornamental City Co., Ltd.* (無錫五洲國際裝飾城有限公司) ("Wuxi Wuzhou"), a wholly-owned subsidiary of the Company issued three tranches of non-public on-shore corporate bonds (the "Corporate Bonds") in the PRC in August 2016, September 2016 and January 2017, respectively. The first tranche was issued in an amount of RMB500 million for a term of three years



with an annual coupon rate of 6.90%, the second tranche was issued in an amount of RMB1,500 million for a term of three years with an annual coupon rate of 7.40% and the third tranche was issued in an amount of RMB1 billion for a term of three years with an annual coupon rate of 7.30%. The issue of the Corporate Bonds has reduced the Group's finance cost and improve its debt structure and liquidity, providing the Group concrete financial support for business development.

SOUND INVESTOR COMMUNICATIONS

Corporate transparency and corporate governance are of key importance to the Group. The Group has proactively communicated with the investment community in order to facilitate understanding of our business development strategies and growth potentials. We believe that value maximization for the shareholders of the Company (the "Shareholders") could be promoted by good investor relations. The Group has opened up a series of systematic channels for communication, providing our Shareholders, investors and analysts with reliable information regularly. In 2016, Wuzhou International actively participated in a total of approximately 20 various investor road shows, reverse road shows and investor forums and conferences held by banks, allowing us to present our unique model of business operation and investment advantages to investors. We put efforts in maintaining good investor relations and sound corporate transparency that reflected in value for our Shareholders.

FUTURE DEVELOPMENT

The Company will continue to accelerate resources integration along the trade logistics industrial chain and build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements for its healthy business development, allowing the Company to be the leading operator of integrated trade logistics platforms in China.

APPRECIATIONS

Close cooperation and coordination among property industry, goodwill and stakeholders as well as enthusiastic support are crucial to success of an enterprise. We would like to thank our cooperation partners as well as our Shareholders and investors for their constant support. We hereby express our sincere gratitude to the customers who witness the value and quality of our products. Winning customer confidence is essential to brand building, and is our real value in the market. Last but not least, we would like to show our appreciation to our Directors, senior management and employees for their contributions and hard work, providing the Group a driving force for growth and a concrete foundation for expansion. Their continuous supports will provide us new momentum and confidence in the coming year. At last, I would like to take this opportunity to express my gratitude to our Directors for their leadership and to all the staff for their dedication and hard work.

Wuzhou International Holdings Limited
Shu Cecheng
Chairman

31 March 2017

CREATE VALUE
for our Customers

PROVIDE A PLATFORM
for our Employees


WOZ
五洲国际
WUZHOU INTERNATIONAL
倾城 绽放
江阴五洲国际广场盛大开业
Open

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

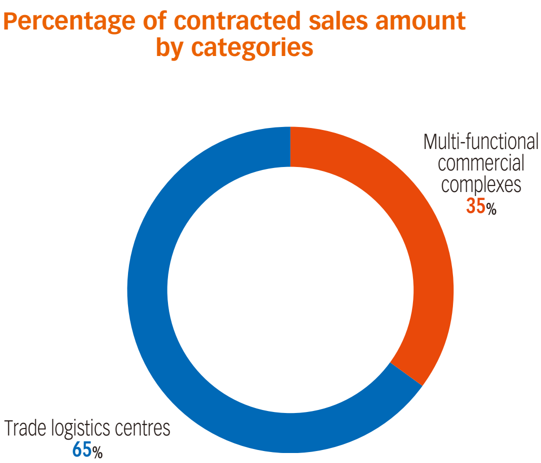
MARKET REVIEW

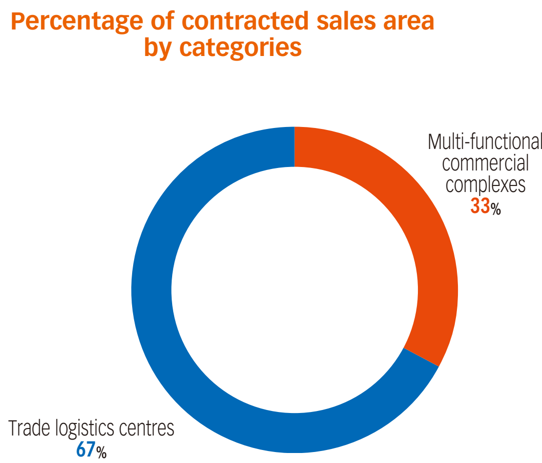
China's gross domestic product ("GDP") grew at 6.7% in 2016 as compared to 2015, demonstrating initial positive effects of supply-side reform. However, downward trend in investment, spending and foreign trade has shown a shaky economic foundation. For the nine months ended 30 September 2016, prices and transaction volume in the property market in China soared, among which red-hot supply and demand was not unusual in first and second-tier cities while the property markets in third and fourth-tier cities were booming after a long period of recession. China's property market in a number of cities began to cool down since October 2016 after the launch of the policies of "purchase and mortgage restriction" as well as tightening financing rules for property developers by the PRC government. In response to a weak economic environment, small and middle sized enterprises remained cautious in investments, and high destocking pressure remained in the commercial property market, posing challenges to the operation of the Group.

BUSINESS REVIEW

I. Contracted sales

During the year under review, the Group recorded contracted sales and contracted sales area of approximately RMB4,068 million and approximately 643,000 square metres ("sq.m."), representing decreases of 32.4% and 32.3% as compared with the same period of the previous year, respectively. Approximately RMB2,624 million and 432,000 sq.m. were from the sales of the trade logistics centers. Approximately RMB1,444 million and 210,000 sq.m. were from the sales of multi-functional commercial complexes.

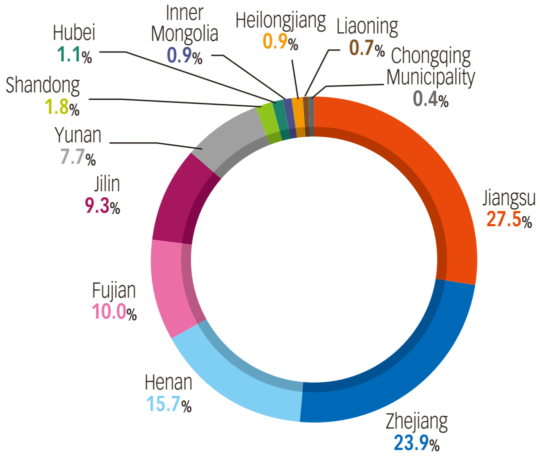




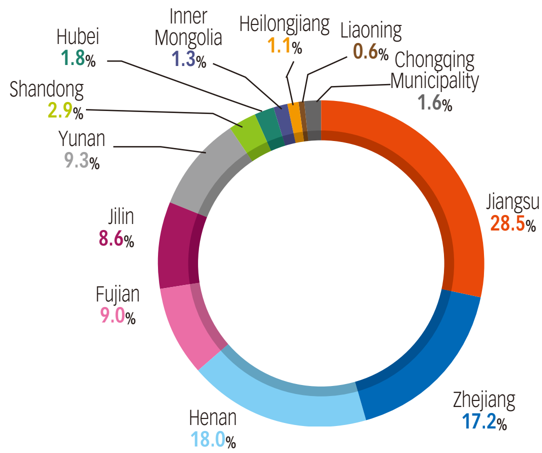
Region	Contracted sales amount		Contracted sales area	
	RMB million	Percentage (%)	'000 sq.m.	Percentage (%)
Jiangsu Province	1,117	27.5	183	28.5
Zhejiang Province	973	23.9	110	17.2
Henan Province	639	15.7	116	18.0
Fujian Province	406	10.0	58	9.0
Jilin Province	378	9.3	56	8.6
Yunnan Province	315	7.7	60	9.3
Shandong Province	73	1.8	18	2.9
Hubei Province	47	1.1	12	1.8
Inner Mongolia	38	0.9	9	1.3
Heilongjiang Province	38	0.9	7	1.1
Liaoning Province	28	0.7	4	0.6
Chongqing Municipality	15	0.4	10	1.6
Total	4,068	100.0	643	100.0

Contracted sales of the Group, by geographical location, were mainly from Jiangsu Province, Zhejiang Province, Henan Province and Fujian Province. The contracted sales and contracted sales area were approximately RMB1,117 million, RMB973 million, RMB639 million and RMB406 million, and approximately 183,000 sq.m., 110,000 sq.m., 116,000 sq.m. and 58,000 sq.m., respectively, accounting for 27.5%, 23.9%, 15.7% and 10.0%, and 28.5%, 17.2%, 18.0% and 9.0% of the total contracted sales amount and the total contracted sales area, respectively. Income source of the Group in terms of geographical locations became more balanced.

Percentage of contracted sales amount by regions

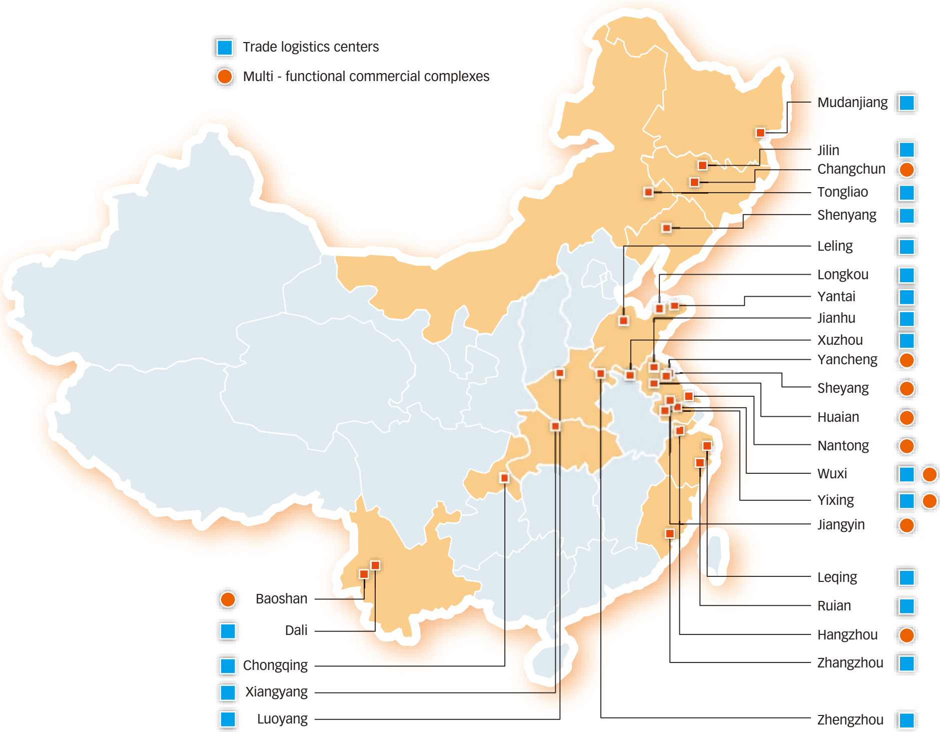


Percentage of contracted sales area by regions



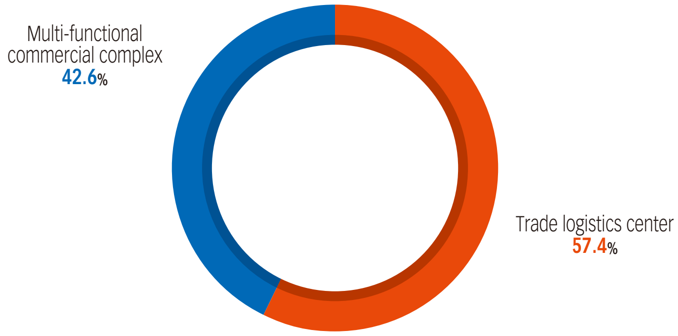
II. Project Development

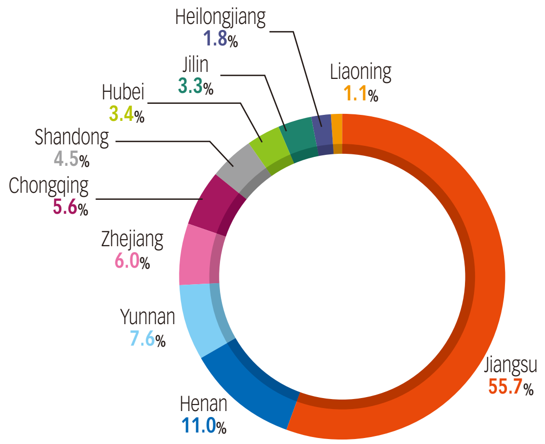
As at 31 December 2016, the Group had 37 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning, Chongqing, Inner Mongolia Autonomous Region and Fujian, including 21 trade logistics centers and 16 multi-functional commercial complexes.



Completed projects

During the year under review, the Group completed a total of 31 projects or project phases with a total gross floor area ("GFA") of approximately 4,931,000 sq.m., including approximately 2,759,000 sq.m. of GFA sold and delivered and approximately 734,000 sq.m. of GFA held for lease.





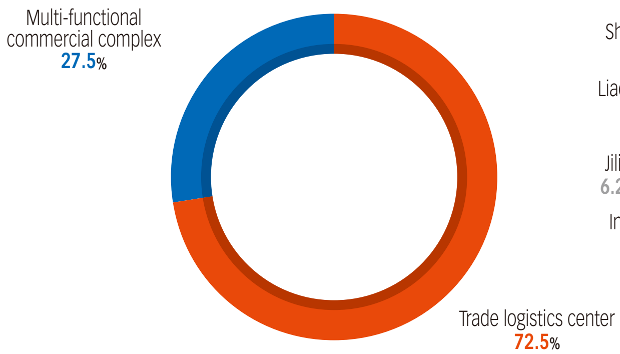
List of completed projects

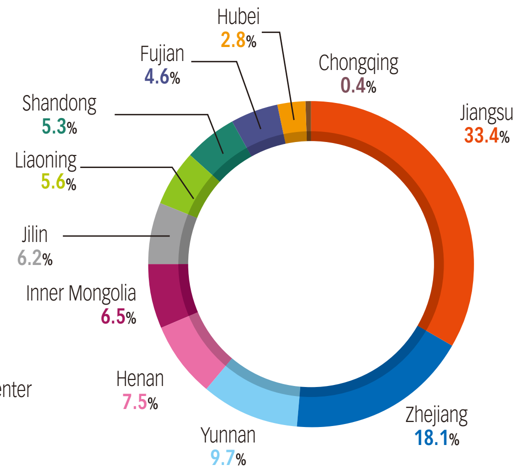
	Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Jiangsu province									
1	Wuxi Wuzhou International Ornamental City	Wuxi	Trade logistics center	100%	392	340	236	3	101
2	Wuxi Wuzhou International Industrial Exhibition City	Wuxi	Trade logistics center	100%	440	395	322	3	70
3	Wuxi Wuzhou International Columbus Plaza	Wuxi	Multi-functional commercial complex	64.3%	212	168	107	17	44
4	Wuxi Wuzhou International Chinese Food Culture Exposition City	Wuxi	Multi-functional commercial complex	62%	191	154	92	16	46
5	Meicun Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	90%	54	40	19	–	21
6	Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	142	105	69	18	18
7	Wuxi New District Columbus Plaza	Wuxi	Multi-functional commercial complex	100%	91	71	39	9	23
8	Luoshe Wuzhou International Columbus Dragon City	Wuxi	Multi-functional commercial complex	100%	52	38	19	4	15
9	Jianhu Wuzhou International Trade City	Jianhu	Trade logistics center	100%	107	105	84	21	–
10	Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	127	99	59	15	25
11	Huaian Wuzhou International Plaza	Huaian	Multi-functional commercial complex	100%	147	110	49	7	54
12	Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	360	255	178	15	62
13	Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	225	180	111	35	34
14	Yixing Wuzhou International Huadong Trade City	Yixing	Trade logistics center	100%	65	64	35	29	–
15	Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	68	66	59	7	–
16	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	74	58	16	24	18
				Sub-total	2,747	2,248	1,494	223	531
Yunnan Province									
17	Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	256	255	198	57	–
18	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	120	118	78	14	26
				Sub-total	376	373	276	71	26
Chongqing City									
19	Rongchang Wuzhou International Trade City	Chongqing	Trade logistics center	94%	276	274	131	58	85
				Sub-total	276	274	131	58	85
Hubei Province									
20	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	167	167	156	11	–
				Sub-total	167	167	156	11	–

	Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Shandong Province									
21	Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	114	102	42	35	25
22	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Trade logistics center	95%	69	69	67	2	–
23	Leling Wuzhou International Exhibition City	Leling	Trade logistics center	51%	38	38	26	12	–
				Sub-total	221	209	135	49	25
Zhejiang Province									
24	Hangzhou Wuzhou International Plaza	Hangzhou	Multi-functional commercial complex	100%	76	59	33	4	22
25	Ruian Wuzhou International Trade City	Ruian	Trade logistics center	100%	65	63	48	15	–
26	Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	155	132	78	49	5
				Sub-total	296	254	159	68	27
Heilongjiang Province									
27	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	91	89	60	29	–
				Sub-total	91	89	60	29	–
Henan Province									
28	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	200	199	110	89	–
29	Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Trade logistics center	100%	341	291	258	33	–
				Sub-total	541	490	368	122	–
Jilin Province									
30	Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	163	161	105	16	40
				Sub-total	163	161	105	16	40
Liaoning Province									
31	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	53	51	50	1	–
				Sub-total	53	51	50	1	–
				Total	4,931	4,316	2,934	648	734

Projects under development

As at 31 December 2016, the Group had a total of 21 projects or project phases under development with a total planned GFA of 1,809,000 sq.m., including approximately 433,000 sq.m. of GFA pre-sold and approximately 468,000 sq.m. of GFA held for lease.





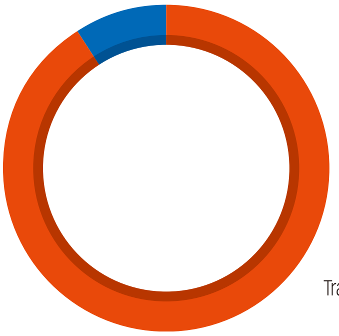
List of projects under development

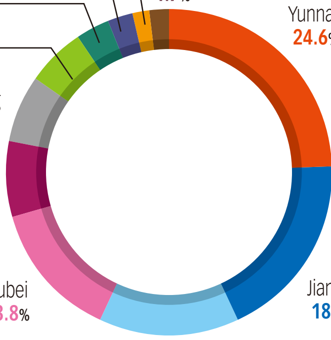
Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Jiangsu Province									
1 Wuxi Wuzhou International Industrial Exhibition City Phase II Hall D	Wuxi	Trade logistics center	100%	2017	83	70	23	4	43
2 Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Trade logistics center	100%	2017	34	26	–	26	–
3 Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	2017	29	27	25	2	–
4 Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	2017	118	93	33	60	–
5 Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	2017	66	63	16	47	–
6 Huaian Wuzhou International Plaza Phase II	Huaian	Multi-functional commercial complex	100%	2017	84	73	61	12	–
7 Xuzhou Road-port	Xuzhou	Trade logistics center	70%	2017	190	190	–	3	187
			Sub-total		604	542	158	154	230
Yunnan Province									
8 Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	2017	87	85	–	–	85
9 Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	2017	88	66	13	53	–
			Sub-total		175	151	13	53	85
Chongqing City									
10 Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	2017	7	7	–	7	–
			Sub-total		7	7	–	7	–
Hubei Province									
11 Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	2017	50	48	5	43	–
			Sub-total		50	48	5	43	–

	Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Shandong Province										
12	China Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	2017	20	20	3	17	–
13	Yantai Wuzhou International Industrial Exhibition City	Yantai	Trade logistics center	95%	2017	75	67	13	54	–
				Sub-total		95	87	16	71	–
Zhejiang Province										
14	Ruian Wuzhou International Trade City	Ruian	Trade logistics center	100%	2017	171	143	26	19	98
15	Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	2017	157	108	35	67	6
				Sub-total		328	251	61	86	104
Henan Province										
16	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	2017	11	7	5	2	–
17	Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Trade logistics center	100%	2017	124	119	73	46	–
				Sub-total		135	126	78	48	–
Jilin Province										
18	Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	2017	112	72	–	72	–
				Sub-total		112	72	–	72	–
Liaoning Province										
19	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	2017	102	84	15	20	49
				Sub-total		102	84	15	20	49
Inner Mongolia Autonomous Region										
20	Tongliao Wuzhou International Trade City	Tongliao	Trade logistics center	100%	2017	118	117	34	83	–
				Sub-total		118	117	34	83	–
Fujian Province										
21	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	2017	83	83	53	30	–
				Sub-total		83	83	53	30	–
				Total		1,809	1,568	433	667	468

Projects planned for future development

As at 31 December 2016, the Group had a total of 16 projects or project phases planned for future development, with a total planned GFA of approximately 3,723,000 sq.m.





List of projects planned for future development

	Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
Jiangsu Province					
1	Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall B and Building Complex	Wuxi	Trade logistics center	100%	144
2	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	27
3	Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	307
4	Yixing Wuzhou International Huadong Trade City	Yixing	Trade logistics center	100%	211
				Sub-total	689
Chongqing City					
5	Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	190
6	Yongchuan Wuzhou City	Chongqing	Trade logistics center	66%	61
				Sub-total	251
Yunnan Province					
7	Dali Wuzhou International Trade City Phase III	Dali	Trade logistics center	100%	917
				Sub-total	917
Hubei Province					
8	Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	Xiangyang	Trade logistics center	100%	512
				Sub-total	512

	Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
Shandong Province					
9	Leling Wuzhou International Exhibition City	Leling	Trade logistics center	51%	414
10	China Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	100
				Sub-total	514
Heilongjiang Province					
11	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	221
				Sub-total	221
Henan Province					
12	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	64
				Sub-total	64
Jilin Province					
13	Jilin Wuzhou International Trade City	Jilin	Trade logistics center	100%	70
				Sub-total	70
Liaoning Province					
14	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	86
				Sub-total	86
Zhejiang Province					
15	Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	273
				Sub-total	273
Fujian Province					
16	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	126
				Sub-total	126
				Total	3,723

III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long term development and profitability of the Company. The Group carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the year under review, the Group strived to consolidate its existing land bank and actively expand and develop into other areas for a more extensive land bank across China.

As of 31 December 2016, the total planned GFA of land bank amounted to approximately 6,970,000 sq.m., including approximately 1,438,000 sq.m. for completed projects, approximately 1,809,000 sq.m. for projects under development and approximately 3,723,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years.

As at 31 December 2016, the breakdown of land bank by regions is as follows:

Region	Completed projects *('000 sq.m.)*	Projects under development *('000 sq.m.)*	Projects planned for future development *('000 sq.m.)*	Total planned GFA of land bank *('000 sq.m.)*	
Jiangsu province	760	604	689	2,053	29%
Yunnan province	83	175	917	1,175	17%
Hubei province	15	50	512	577	8%
Shandong province	74	95	514	683	10%
Zhejiang province	149	328	273	750	11%
Heilongjiang province	36	–	221	257	4%
Henan province	206	135	64	405	6%
Jilin province	39	112	70	221	3%
Liaoning province	6	102	86	194	3%
Chongqing city	70	7	251	328	5%
Inner Mongolia Autonomous Region	–	118	–	118	2%
Fujian province	–	83	126	209	3%
Total	1,438	1,809	3,723	6,970	100%

IV. Centralized operation, management and marketing

Most of the purchasers of retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

The Group develops and operates its trade logistics centers and multi-functional commercial complexes under the brands of "Wuzhou International" and "Columbus". In order to unify the brand image of its trade logistic centers and multi-functional commercial complexes, the Group's professional planning and marketing team is responsible for formulating its nation-wide promotion strategies and coordinating marketing activities. During the year under review, both the brand effect and visitor flow of its trade logistics centers and multi-functional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, the asset management, construction, design and operation capabilities of the Group were highly recognized in the industry. As a result, the brands "Wuzhou International" and "Columbus" were well-received in the places where the Group operates.

V. Outlook

Looking forward to 2017, China's economic growth will continue to slow down as structural reforms continue to advance and the property market cools down. Fiscal policy will remain positive to support Chinese government's 6.5% growth target. Industrial investment is expected to grow steadily and corporate earnings are expected to rebound. The Group takes a prudently optimistic view of its operating environment in 2017.

The Company will continue to accelerate resources integration along the trade logistics industrial chain and build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements for its healthy business development, allowing the Company to be the leading operator of integrated trade logistics platforms in China.

FINANCIAL REVIEW

REVENUE

Our revenue comprises mainly income from the sale of properties, rental income, commercial and property management service income, property consulting service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the year ended 31 December 2016, turnover of the Group amounted to approximately RMB3,788 million, representing an increase of 13.7% from approximately RMB3,333 million for the corresponding year in 2015. Profit for the year attributable to the equity holders of the Company was approximately RMB101 million, representing an increase of 120.9% from approximately a loss of RMB482 million for the corresponding year in 2015.

Sale of Properties

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 11.4% to approximately RMB3,436 million for the year ended 31 December 2016 from approximately RMB3,085 million for the corresponding year in 2015. This increase was primarily due to an increase in the average selling price of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the year of 2016 and 2015.

	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Total revenue *RMB'000*	GFA *sq.m.*	Average selling price *RMB*	Total revenue *RMB'000*	GFA *sq.m.*	Average selling price *RMB*
Changchun Wuzhou International Plaza 長春五洲國際廣場	**660,035**	**94,339**	**6,996**	39,707	2,610	15,214
Leqing Wuzhou International Electrics & Electronic Appliance City 樂清五洲國際中國電工電器城	**608,939**	**57,627**	**10,567**	–	–	–
Zhengzhou Wuzhou International Industrial Exhibition City 鄭州五洲國際工業博覽城	**415,081**	**79,558**	**5,217**	800,278	153,764	5,205
Yancheng Wuzhou International Plaza 鹽城五洲國際廣場	**274,461**	**32,138**	**8,540**	6,922	234	29,583
Baoshan Wuzhou International Plaza 保山五洲國際廣場	**218,150**	**47,852**	**4,559**	280,610	26,329	10,658
Nantong Wuzhou International Plaza 南通五洲國際廣場	**185,497**	**17,737**	**10,458**	399,319	54,423	7,337

	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Total revenue	GFA	Average selling price	Total revenue	GFA	Average selling price
	RMB'000	*sq.m.*	*RMB*	*RMB'000*	*sq.m.*	*RMB*
Qianzhou Wuzhou International Plaza 前洲五洲國際廣場	**157,826**	**15,639**	**10,092**	–	–	–
Dali Wuzhou International Trade City 大理五洲國際商貿城	**123,066**	**19,441**	**6,330**	141,649	22,120	6,404
Wuxi Wuzhou International Chinese Food Culture Exposition City 無錫五洲國際中華美食城	**96,110**	**11,371**	**8,452**	52,445	11,766	4,457
Luoyang Wuzhou International Industrial Exhibition City 洛陽五洲國際工業博覽城	**79,896**	**15,926**	**5,017**	129,243	27,354	4,725
Jiangyin Wuzhou International Plaza 江陰五洲國際廣場	**76,645**	**13,392**	**5,723**	73,040	7,625	9,579
Yantai Wuzhou International Industrial Exhibition City (Fushan) 煙台五洲國際工業博覽城(福山)	**75,774**	**12,702**	**5,966**	1,008	187	5,390
Yixing Wuzhou International Huadong Trade City 宜興五洲國際華東商貿城	**74,542**	**17,008**	**4,383**	64,256	11,744	5,471
Mudanjiang Wuzhou International Industrial Exhibition City 牡丹江五洲國際工業博覽城	**53,248**	**11,206**	**4,752**	104,854	22,375	4,686
Sheyang Wuzhou International Plaza 射陽五洲國際廣場	**50,799**	**15,010**	**3,384**	110,469	34,685	3,185
Luoshe Wuzhou International Columbus Dragon City 洛社五洲國際哥倫布六龍城	**46,926**	**4,025**	**11,659**	20,516	1,391	14,749
Wuxi New District Columbus Plaza 無錫新區哥倫布廣場	**43,924**	**7,745**	**5,671**	19,051	4,544	4,193
Shenyang Wuzhou International Industrial Exhibition City 瀋陽五洲國際工業博覽城	**42,379**	**8,341**	**5,081**	232,941	38,573	6,039
Hangzhou Wuzhou International Plaza 杭州五洲國際廣場	**23,290**	**875**	**26,617**	80,171	3,604	22,245
Rongchang Wuzhou International Trade City 榮昌五洲國際商貿城	**22,558**	**9,344**	**2,414**	22,513	10,595	2,125
Longkou Wuzhou International Trade City 龍口五洲國際商貿城	**22,444**	**3,010**	**7,456**	3,452	438	7,882
Ruian Wuzhou International Trade City 瑞安五洲國際商貿城	**21,318**	**2,238**	**9,526**	148,626	13,078	11,365
Wuxi Wuzhou International Ornamental City 無錫五洲國際裝飾城	**20,143**	**1,803**	**11,174**	32,513	3,387	9,599

	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Total revenue RMB'000	GFA sq.m.	Average selling price RMB	Total revenue RMB'000	GFA sq.m.	Average selling price RMB
Xiangyang Wuzhou Internaional Industrial Exhibition City 襄陽五洲國際工業博覽城	16,611	6,316	2,630	20,832	6,663	3,127
Leling Wuzhou International Exhibition City 樂陵五洲國際博覽城	11,728	6,074	1,931	45,756	15,064	3,037
Wuxi Wuzhou International Columbus Plaza 無錫五洲國際哥倫布廣場	7,276	1,197	6,079	15,115	1,324	11,416
Wuzhou International Automobile Exhibition City 五洲國際汽車博覽城	3,727	551	6,768	159,935	32,849	4,869
Wuxi Wuzhou International Industrial Exhibition City 無錫五洲國際工業博覽城	2,510	414	6,063	11,184	1,842	6,072
Yangjian Wuzhou International Plaza 羊尖五洲國際廣場	1,460	72	20,187	3,976	706	5,632
Jianhu Wuzhou International Trade City 建湖五洲國際商貿城	112	44	2,524	39,146	18,363	2,132
Meicun Wuzhou International Plaza 梅村五洲國際廣場	–	–	–	15,512	1,943	7,983
Huaian Wuzhou International Plaza 淮安五洲國際廣場	–	–	–	9,805	1,574	6,229
Total	3,436,475	512,995	6,699	3,084,844	531,154	5,808

Rental Income

Rental income generated from rental of investment properties increased by 58.4% to approximately RMB117 million for the year ended 31 December 2016 from approximately RMB74 million for the corresponding year in 2015. The increase was primarily due to the continuing growth of the investment properties.

Commercial Management Service Income and Property Management Service Income

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the first three years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by approximately 2.6% to approximately RMB101 million for the year ended 31 December 2016 from approximately RMB99 million for the corresponding year in 2015. Property management service income decreased by 6.5% to approximately RMB5 million for the year ended 31 December 2016 from approximately RMB6 million for the corresponding year in 2015. The increase in commercial management service income was primarily due to the increase in the GFA of the properties operated and managed by us, while the decrease in property management service income was due to the gradual transfer of property management business to other third parties for concentrating in the business of commercial management service.

Property consulting service income

Property consulting service income represents the revenue from consulting and advisory service rendered by the Group to third party companies in their development and construction of commercial properties.

Property consulting service income increased by 81.7% to approximately RMB80 million for the year ended 31 December 2016 from approximately RMB44 million for the corresponding year in 2015, which was mainly resulted from the increase in business volume of the services in the second half of the year.

Commissions from concessionaire sales

Revenue derived from the commissions from concessionaire sales decreased by 52.7% to approximately RMB3 million for the year ended 31 December 2016 from approximately RMB7 million for the corresponding year in 2015, which was resulted from the decrease of the relevant sales.

GROSS PROFIT AND MARGIN

Gross profit increased by 88.0% to approximately RMB1,345 million for the year ended 31 December 2016 from approximately RMB715 million for the corresponding year in 2015. Gross profit margin increased to 35.5% for the year ended 31 December 2016 from 21.5% for the corresponding year in 2015. The increase in gross profit was in line with the increase in revenue and gross profit margin for the year ended 31 December 2016. While the increase in our gross margin was the result of the increase in average selling price, change in product mix and the increase in recurring income which has higher gross profit margin and accounted a higher portion in the revenue.

OTHER INCOME AND GAIN

Other income and gains increased by 110.7% to approximately RMB311 million for the year ended 31 December 2016 from approximately RMB148 million for the corresponding year in 2015. Other income and gains are mainly represented by subsidy income, interest income, fair value gain of convertible notes, gain on acquisition/disposal of subsidiaries and certain non-recurring income and gains.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses decreased by 29.6% to approximately RMB286 million for the year ended 31 December 2016 from approximately RMB406 million for the corresponding year in 2015. The decrease was primarily due to a decrease in general selling, marketing and advertising activities resulting from fewer number of properties that were pre-sold in the year of 2016 as compared to that in the corresponding year of 2015.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by 36.8% to approximately RMB286 million for the year ended 31 December 2016 from approximately RMB452 million for the corresponding year in 2015. The decrease was mainly due to the result of the Group’s policy of furthering the control of administrative expenses and the decrease in business activities of new projects that entered into trial or early stage of operations.

FINANCE COSTS

Our finance costs increased by 64.7% to approximately RMB608 million for the year ended 31 December 2016 from approximately RMB369 million for the corresponding year in 2015. The increase was primarily due to an increase in bank loans, full year effect of senior note issuance in July 2015 and the corporate bonds issuance in the PRC, which in turn increased the interest expenses.

INCOME TAX EXPENSES

Our income tax expenses increased by 95.8% to approximately RMB425 million for the year ended 31 December 2016 from approximately RMB217 million for the corresponding year in 2015. The increase was primarily due to the increase in provision for PRC land appreciation tax and the increase in enterprises income tax for projects recognised in the year of 2016.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group recorded a profit for the year attributable to owners of the Company of approximately RMB101 million as compared to loss of approximately RMB482 million for the corresponding year in 2015, which represented an increase of 120.9%. The increase was mainly due to the net effect of increases in revenue which resulted in higher gross profit, profit margin, the decreases in selling and distribution expenses, administrative expenses, revaluation gain on the appreciation of our investment properties and an increase in finance costs in the year of 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2016, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB3,761 million (2015: approximately RMB2,552 million), representing an increase of 47.4% as compared to that as at 31 December 2015. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2016, the Group's restricted cash was approximately RMB92 million (2015: approximately RMB154 million), representing a decrease of 40.0% as compared to that as at 31 December 2015.

Current Ratio and Gearing Ratio

As at 31 December 2016, the Group has current ratio (being current assets over current liabilities) of approximately 1.04 compared to that of 1.01 as at 31 December 2015. The gearing ratio was 165.2% as at 31 December 2016 compared to that of 123.5% as at 31 December 2015. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings, corporate bonds, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated bank loans and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 45.2% as at 31 December 2016 compared to that of 35.8% as at 31 December 2015.

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of approximately RMB5,780 million (2015: approximately RMB4,959 million) and approximately RMB4,835 million (2015: RMB2,550 million), respectively. Amongst the bank and other borrowings, approximately RMB3,495 million (2015: approximately RMB2,794 million) will be repayable within 1 year, approximately RMB2,063 million (2015: approximately RMB1,783 million) will be repayable between 2 to 5 years and approximately RMB223 million (2015: approximately RMB383 million) will be repayable after 5 years. The senior notes are repayable between 2 to 5 years and convertible notes are redeemable on or after 30 September 2017. Amongst the corporate bonds, approximately RMB509 million (2015: nil) are repayable within 1 year and approximately RMB1,515 million (2015: nil) are repayable between 2 to 5 years.

As at 31 December 2016, a substantial part of the bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiary companies of the Group and secured by pledge of their shares. The bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. dollar.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings, senior and convertible notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. To mitigate foreign exchange exposure for the purpose of minimizing adverse effect on the operation of the Group, the Group continues to adopt a conservative approach and will closely monitor the foreign currency market and actively explore the domestic capital market for financing opportunities.

Commitments

As at 31 December 2016, the Group had committed payment for the acquisitions of land use rights and properties under development amounting to approximately RMB378 million (2015: RMB100 million) and approximately RMB2,672 million (2015: RMB2,914 million), respectively.

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees amounting to approximately RMB1,235 million (2015: approximately RMB1,891 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2016 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2016, the Group had approximately 2,503 employees, of which 992 employees involved in the property development sector and 1,511 in the property operation services sector. Total staff costs, including Directors' emoluments, for the year ended 31 December 2016 amounted to approximately RMB202 million (2015: approximately RMB295 million). Remuneration is determined by reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme which became effective on 27 May 2013 (the "Scheme"). In September 2013, the Group granted share options to subscribe for 93,119,611 shares of the Company (the "Shares") in conformity with the Scheme to some of the Directors and employees of the Group, at an exercise price of HK$1.27 per share.

As at 31 December 2016, the total number of Shares in respect of which options were granted under the Scheme remain outstanding is 31,584,578 Shares, representing 0.6% of the total number of Shares in issue. For the year ended 31 December 2016, no share option has been granted and no shares has been exercised under the Scheme.

EXECUTIVE DIRECTORS

Mr. Shu Cecheng (舒策城), aged 48, is the Chairman of the Group. Mr. Shu was appointed as a Director on 22 June 2010 and was re-designated as an executive Director on 14 November 2012. He is the chairman of the nomination committee of the Company. He is the brother of Mr. Shu Cewan; an executive Director. Mr. Shu Cecheng is also the brother of Mr. Shu Cezhang, the Group's head of operations. Mr. Shu Cecheng established the business of the Group in December 2004 and has been primarily responsible for the overall business, financial and strategic planning of the Group. Mr. Shu is also responsible for the overall development of the Group's strategic direction and corporate policies and plays an important role in the development, maintenance and strengthening of client relations. Mr. Shu Cecheng has over ten years of experience in the real estate development industry. He is a director of certain subsidiaries of the Group. Throughout the years, Mr. Shu has held various positions in many professional organizations. Mr. Shu was appointed as the chairman of the Council of China SCMALL Academy in October 2009. Mr. Shu has also been appointed as the committee member of the Wuxi Committee of the Chinese People's Political Consultative Conference since June 2012, and the executive director of the fourth Wuxi Charity Federation since May 2011. Mr. Shu is currently the chairman of the Seventh Council of Wuxi Market Association, a member of the Eleventh executive committee of Wuxi Association of Industry and Commerce, vice chairman of Wuxi Chamber of Commerce, vice chairman of the China Economic and Trade Promotion Association, vice chairman of the Federation of Private Enterprises of the Chinese Economy, executive vice chairman of Zhejiang Market Association, executive chairman of Hong Kong Wenzhou Entrepreneurs Association, chairman of Hong Kong Taishun Fraternity Association and vice chairman of Shanghai Jiangsu Chamber of Commerce.

Mr. Shu Cecheng has also received many awards acknowledging his contributions and accomplishments in the area of real estate development. Mr. Shu received the Personalities for the Year of PRC Branded Enterprises Award given by the Federation for the Development of Chinese Entrepreneurs in 2013, the Top Ten Personalities of the Year in the Chinese Market Award granted by the China Commercial Federation in 2015 and the Personalities for the Year in the Chinese Market Economy Award given by the Chinese Market Economy Academy in 2015. Mr. Shu also received the "EY Entrepreneur of The Year China" in 2015 by Ernst & Young, the Fifth Zhejiang Charity Award and the First Top Ten Overseas Wenzhou Benefactors Award in 2016, Outstanding Contribution Award in the Wenzhou Natives in the World in 2016, and was named an Pioneer of Businessmen Returning to Wenzhou in 2016 and Outstanding Personality in China's Trade Distribution in 2016.

Mr. Shu Cecheng obtained a master of business administration issued by the Victoria University Switzerland. He also obtained a master of business administration degree from the Shanghai University of Finance and Economics.

Mr. Shu Cewan (舒策丸), aged 46, is the Group's chief executive officer. Mr. Shu Cewan was appointed as an executive Director on 14 November 2012. He is a member of the remuneration committee of the Company. He is the brother of Mr. Shu Cecheng, the Group's Chairman, and Mr. Shu Cezhang, the Group's head of operations. Mr. Shu Cewan is closely involved in the Group's operations and oversees all the key aspects of the Group's operations and business, including the planning and implementation of projects. Mr. Shu Cewan has over ten years of experience in the real estate development industry, and he has been with the Group since December 2004. Mr. Shu Cewan was the general manager and vice-president of certain subsidiaries of the Group. Since joining the Group, Mr. Shu Cewan has been responsible for the overall day-to-day management of these Group companies, particularly in the aspects of operation, administration, human resources management and finance.

Mr. Shu Cewan was named a driving force figure in China's commercial property sector in 2010 by the organizing committee of the Fifth Annual Conference of the Chinese Commercial and Office Property Sector in May 2010. In March 2011, he was named among the most respected private entrepreneurs in China by the Chinese Enterprise Evaluation Association and Association for the Promotion of International Cooperation and Development of Chinese Private Enterprises. In November 2011, he was named an Influential personality in the Chinese commercial property sector at the Chinese Commercial Property Business Conference. He was granted the title of Outstanding Private Entrepreneur of Jiangsu Province in October 2014, the Personality for the Year in the Chinese Market Economy Award in 2015 and the China Securities "Golden Bauhinia" Award: CEO of the Best Listed Company in 2016. Since 2011, Mr. Shu Cewan has been the vice president of Wuxi Wenzhou Chamber of Commerce. He is also the vice chairman of the Federation of Chinese Private Enterprises, a member of the Eighth Chong An District Committee (Wuxi) of the Chinese People's Political Consultative Conference, a deputy to the Fifteenth National People's Congress from Taishun County, Wenzhou City and a council member of the Chong An District Industrial and Commercial Federation in Wuxi.

Mr. Shu Cewan graduated from Jiangnan University with a diploma in business management in July 2011. He obtained a master of business administration issued by the Victoria University Switzerland.

NON-EXECUTIVE DIRECTOR

Mr. Wang Wei (王威), aged 48, was appointed as a non-executive Director on 26 September 2014. He has over 20 years of experience in international capital markets. Since early 2013, Mr. Wang has been the Managing Director of Ping An Real Estate Capital Ltd. (平安不動產資本有限公司). Prior to joining Ping An, Mr. Wang was a managing director with Forum Partners Investment Management, a U.S. real estate private equity fund, responsible for the firm's China business. Between 2008 and 2009, Mr. Wang was a vice president and the chief financial officer of Sunshine 100 China, a real estate developer focused on second and third tier Chinese cities. From 2005 to 2007, Mr. Wang had been the managing director, a member of the China Management Committee, and co-head of China Fixed Income at UBS Group. Between 1994 and 2005, Mr. Wang held various positions in fixed income and equity capital market divisions at J.P. Morgan in New York, Singapore and Hong Kong. Prior to that, from 1991 to 1994, Mr. Wang worked in the treasury department of Bank of China, Head Office, in Beijing, focused on international debt capital markets and financial derivatives.

Mr. Wang Wei owns a master's degree in business administration (MBA) from Columbia Business School and a bachelor's degree in economics from Fudan University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Song Ming (宋敏), aged 55, was appointed as an independent non-executive Director on 18 May 2013. He is the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. Dr. Song has over 25 years of experience in the research of bank regulation and management, financial market, derivatives and macroeconomics. Dr. Song was employed by the school of economics and finance of the University of Hong Kong since 1997 and is currently a professor at the university. Between 1991 and 1997, Dr. Song was the associate professor and assistant professor at the department of economics, Cleveland State University. Dr. Song is currently the director of Centre for China Financial Research and the associate director of the Institute for China and Global Development at the University of Hong Kong. Dr. Song has been heavily involved in various academic conferences, researches and consultation projects.

Dr. Song has been appointed as an independent non-executive director of the United Laboratories International Holdings Limited, Guotai Junan International Holdings Limited and Tande Co, Ltd. since 2007, 2010 and 2015, the former two are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the latter is a company with its A Shares listed on the Shanghai Stock Exchange.

Dr. Song is currently the vice president of the Chinese Financial Association of Hong Kong. Dr. Song has also been involved in different advisory committees of the Hong Kong Government. Dr. Song is a member of the Advisory Committee on Human Resources Development in the Financial Services Sector in Hong Kong.

Dr. Song graduated from Zhejiang University in July 1982 with a bachelor degree in applied mathematics. Dr. Song obtained his master degree in applied mathematics from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology). Dr. Song was awarded a doctorate degree by Ohio State University.

Mr. Lo Kwong Shun Wilson (羅廣信), aged 43, was appointed as an independent non-executive Director on 18 May 2013. He is the chairman of the audit committee of the Company and a member of the nomination committee of the Company. He has more than 15 years' experience in investment banking and advising on corporate finance and 5 years of experience in accounting and auditing. Mr. Lo has been working at Guotai Junan Capital Limited since 2002 and is currently the deputy general manager, where he has been involved in various listing and restructuring transactions. Prior to that, from 1999 to 2002, he worked at Kingsway Capital Limited and BOCI Asia Limited, responsible for handling corporate finance assignments and assisting the analysis of various proposed listing projects while working alongside with other professionals. Between 1996 and 1999, Mr. Lo worked at KPMG and was responsible for the audit of companies of various industry sectors. Mr. Lo has been an independent non-executive directors of Kingdom Holdings Limited, Raymond Industrial Limited and Huiyin Household Appliances (Holdings) Co., Ltd., all of which are listed on the Stock Exchange.

Mr. Lo has been a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo has been a chartered financial analyst registered with the Association for Investment Management and Research. Mr. Lo obtained a bachelor degree in commerce from the University of British Columbia.

Prof. Shu Guoying (舒國瀅), aged 57, was appointed as an independent non-executive Director on 18 May 2013. He is a member of the audit committee and the remuneration committee of the Company. He has more than 30 years of experience in the PRC law, particularly in the teaching of jurisprudence and legal methodology.

Prof. Shu has held various teaching positions in the China University of Political Science and Law ("CUPL") since 1987, where he first started as a teaching assistant and was later promoted to lecturer, associate professor and professor in 1988, 1994 and 2001 respectively. Prof. Shu has also been a member of the Academic Committee of CUPL since 2001. In addition, from 2006 to 2008, Prof. Shu was a part-time professor of China Foreign Affairs University and has held positions in many professional organizations. Prof. Shu has been a member of the proposition committee of the Chinese National Judicial Examination between 2002 and 2005 and a member of the First Legislative and Legal Expert Committee of the Beijing People's Municipal Government between 2009 and 2014, and has been entitled to government special subsidy by the State Council since 2016. Throughout his professional career in the legal academia, Prof. Shu has published numerous books and journal articles in the PRC.

Prof. Shu graduated from CUPL with a bachelor degree in law, and later obtained a master degree in law.

Mr. Zhu Aiming (朱愛明), aged 50, is the Group's head of development. Mr. Zhu joined the Group in 2007 as the deputy general manager, and worked as the general manager since 2010, of Wuxi Zhongnan Property Investment Co., Ltd and was responsible for the project management of Wuxi Wuzhou International Industrial Exhibition City, coordinating with external parties, obtaining governmental approvals, coordinating with government authorities and securing preferential policies. Prior to joining the Group, from 2005 to 2007, Mr. Zhu worked as the deputy general manager of Wuxishi Xiaoying Environmental Technology Co., Ltd., where he helped to establish the management system, facilitated and supervised work progress, and was in charge of business development and assessment plans. Prior to that, between 2004 and 2005, Mr. Zhu was the general manager of Wuxi Fengshuilong International Property Co., Ltd. where he was involved in the implementation of sales targets, supervision of project planning and operation management, and budgeting and coordination between internal and external working teams. Between 2003 and 2004, Mr. Zhu was the logistics manager of Shenzhen Oriental English College and was in charge of logistics management and public relations. From 1995 to 2002, Mr. Zhu worked at Qinghai Securities Co., Ltd. Shenzhen headquarters as the administrative officer, and was primarily responsible for supervising work process, implementing internal management plans and developing public relations. Mr. Zhu was the chief logistics officer of Tuboscope Far East Pte., Ltd. from 1992 to 1994 and was responsible for supervising the Company's daily logistics and its management system.

Mr. Zhu graduated from Yancheng Institute of Technology in June 1984 with a diploma in urban construction and management. In April 2010, Mr. Zhu was qualified as a senior strategist by National Talent Service Centre under the Ministry of Human Resources.

Mr. Shu Cezhang (舒策張), aged 40, is the Group's head of operations. Mr. Shu Cezhang joined the Group in 2005 and has held various positions including the deputy general manager of the Group's commercial operation center and the general manager of the Group's commercial management companies, where he has been primarily involved in the overall administration and operations. Mr. Shu Cezhang is the brother of Mr. Shu Cecheng, the chairman of the Group and Mr. Shu Cewan, the chief executive officer of the Group.

Mr. Shu Cezhang is currently a director of certain of the Group's companies. He graduated from California American University in January 2013 with an external master degree in business administration. Mr. Shu was awarded the 2012 China Commercial Property New Talent Award by the organizing committee of the China Commercial Property Fair in October 2012.

COMPANY SECRETARY

Mr. Cheung Man Hoi (張文海), aged 46, was appointed as the company secretary of the Company in July 2014. Mr.Cheung is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons) in Accountancy and holds a master degree in business administration from the Chinese University of Hong Kong.

The Directors have pleasure in presenting the annual report and 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 activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 71.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 168 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

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

Details of movements in the share options of the Company are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 74 and note 35 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2016, calculated under the Cayman Islands Companies Law, amounted to RMB35,945,000 (2015: RMB642,594,000) representing share premium of RMB1,299,010,000, setting off by accumulated losses of RMB1,263,065,000.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2016 amounted to RMB1,280,000 (2015: RMB1,228,938).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company during the year ended 31 December 2016 are set out in note 12 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in notes 1 and 19 to the consolidated financial statements respectively.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive directors:

Mr. Shu Cecheng (Chairman)
Mr. Shu Cewan (Chief Executive Officer)
Mr. Shu Ceyuan (resigned on 20 September 2016)
Ms. Wu Xiaowu (resigned on 20 September 2016)
Mr. Zhao Lidong (resigned on 20 September 2016)

Non-executive director:

Mr. Wang Wei

Independent non-executive directors:

Dr. Song Ming
Mr. Lo Kwong Shun Wilson
Prof. Shu Guoying

All Directors are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's articles of association (the "Articles of Association").

In accordance with Article 104(a) of the Company's Articles of Association, Mr. Shu Cecheng and Mr. Shu Cewan will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

A circular containing the explanatory statement on repurchase by the Company of its Shares, the biographical details of the Directors proposed to be re-elected at the forthcoming annual general meeting of the Company and the notice of the annual general meeting will be sent to Shareholders of the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all the independent non-executive Directors meet the guidelines set out in Rule 3.13 of the Listing Rules for assessing independence.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years commencing from 18 May 2016.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years commencing from 18 May 2016.

The Company entered into a letter of appointment with its non-executive Director, Mr. Wang Wei. Mr. Wang was appointed for a term commencing from 26 September 2014 and was re-elected at the annual general meeting of the Company held on 29 May 2015. Thereafter, he will be subject to retirement by rotation and re-election at least once every three years at annual general meetings in accordance with the Company's articles of association. Mr. Wang will not receive any Director's fee as a non-executive Director.

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Articles of Association.

No director proposed for re-election at the annual general meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2016, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the Shares and underlying Shares

Name of Director/ Chief Executive	Long/Short position	Nature of interest	Number of issued Shares held	Interest in underlying Shares	Approximate percentage to the issued Shares as at 31 December 2016
Mr. Shu Cecheng	Long position	Interest of controlled corporation[1]	2,539,911,038	–	50.90%
Mr. Shu Cewan	Long position	Interest of controlled corporation[1]	2,539,911,038	–	50.90%
	Long position	Personal	–	3,000,000	0.06%
Dr. Song Ming	Long position	Personal	–	500,000[2]	0.01%

Name of Director/ Chief Executive	Long/Short position	Nature of interest	Number of issued Shares held	Interest in underlying Shares	Approximate percentage to the issued Shares as at 31 December 2016
Mr. Lo Kwong Shun Wilson	Long position	Personal	–	500,000[(2)]	0.01%
Prof. Shu Guoying	Long position	Personal	–	500,000[(2)]	0.01%

Notes:

(1) Boom Win Holdings Limited ("Boom Win") is owned as to 60% by Mr. Shu Cecheng and as to 40% by Mr. Shu Cewan. Both Mr. Shu Cecheng and Mr. Shu Cewan are directors of Boom Win. Mr. Shu Cecheng and Mr. Shu Cewan are deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.

(2) The relevant Director/chief executive was granted options to subscribe for such number of Shares under the Scheme on 24 September 2013.

(ii) Long positions in Associated Corporation

Name of Director	Nature of interest	Name of associated corporation	No. of shares held	Description of shares	Percentage to that associated corporation's issued share capital as at 31 December 2016
Mr. Shu Cecheng	Corporate interest	Boom Win	30,000 shares	Par value of US$1.00	60%
Mr. Shu Cewan	Corporate interest	Boom Win	20,000 shares	Par value of US$1.00	40%

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

SHARE OPTION SCHEME

The Company adopted the Scheme which became effective on 27 May 2013 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include (i) any employee (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the "Invested Entity"), including any executive Director, directors of its subsidiaries or Invested Entity; (ii) any non-executive Director (including independent non-executive Director), non-executive directors (including independent non-executive) of its subsidiaries or any Invested Entity; or (iii) any senior management of the Company, its subsidiaries or Invested Entity that the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination of the Scheme by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 6 years from the date of its adoption.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue when the Scheme was adopted, unless with the prior approval from the Company's Shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to each eligible participant in any 12-month period is not permitted to exceed 1% of Shares in issue, unless with the prior approval from the Company's Shareholders and with such participants and his close associates abstaining from voting. Options granted to a connected person of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 15 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 6 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

As at 31 December 2016, the total number of Shares in respect of which options were granted under the Scheme remain outstanding is 31,584,578 Shares, representing 0.6% of the total number of Shares in issue as at the date of this report. For the year ended 31 December 2016, no share option has been granted, no Shares has been exercised under the Scheme and 20,012,191 share options granted under the Scheme were cancelled.

The summary below set out the movements of options granted as at 31 December 2016 pursuant to the Scheme.

				Number of share option							
Name	Date of grant	Exercise price HK$	Closing price of the Shares on the date of grant HK$	Balance as at 1 January 2016	Grant during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Transfer to other category during the year	Transfer from other category during the year	Balance as at 31 December 2016
Directors											
Mr. Shu Cewan	24 September 2013	1.270	1.270	3,000,000	–	–	–	–	–	–	3,000,000 Note
Mr. Shu Ceyuan	24 September 2013	1.270	1.270	2,000,000	–	–	–	–	(2,000,000) Note	–	–
Ms. Wu Xiaowu	24 September 2013	1.270	1.270	1,628,000	–	–	–	–	(1,628,000) Note	–	–
Mr. Zhao Lidong	24 September 2013	1.270	1.270	2,160,000	–	–	–	2,160,000	–	–	– Note
Dr. Song Ming	24 September 2013	1.270	1.270	500,000	–	–	–	–	–	–	500,000 Note
Mr. Lo Kwong Shun Wilson	24 September 2013	1.270	1.270	500,000	–	–	–	–	–	–	500,000 Note
Prof. Shu Guoying	24 September 2013	1.270	1.270	500,000	–	–	–	–	–	–	500,000 Note
Other employees of the Group	24 September 2013	1.270	1.270	41,308,769	–	–	–	17,852,191	–	3,628,000 Note	27,084,578 Note
Total				51,596,769	–	–	–	20,012,191	–	–	31,584,578

Note:

The share options are exercisable during the following periods:

(a) up to 30% of the share options granted to each grantee at any time after the expiration of 12 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and

(b) up to 30% of the share options granted to each grantee at any time after the expiration of 24 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 40% of the share options granted to each grantee at any time after the expiration of 36 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board.

NON-PUBLIC ISSUE OF ON-SHORE CORPORATE BONDS IN THE PRC

During the year ended 31 December 2016, Wuxi Wuzhou International Ornamental City Co., Ltd.* (無錫五洲國際裝飾城有限公司) ("Wuxi Wuzhou"), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, has, based on the result of book-building process, issued two tranches of non-public on-shore corporate bonds ("Corporate Bonds") in the PRC as follows:

On 23 August 2016, Wuxi Wuzhou issued the first tranche of the Corporate Bonds in the amount of RMB500 million for a term of three years, with an annual coupon rate of 6.90%.

On 19 September 2016, Wuxi Wuzhou issued the second tranche of the Corporate Bonds in the amount of RMB1,500 million for a term of three years, with an annual coupon rate of 7.40%.

Subsequent to the year ended 31 December 2016, on 11 January 2017, Wuxi Wuzhou issued the third tranche of the Corporate Bonds in the amount of RMB1 billion for a term of three years, with an annual coupon rate of 7.30%.

Wuxi Wuzhou issued the Corporate Bonds in order to provide additional source of funding. Wuxi Wuzhou planned to use the net proceeds from the Corporate Bonds for refinancing and as general working capital of Wuxi Wuzhou and its subsidiaries. As of 31 December 2016, the net proceeds from the issue of the two tranches of the Corporate Bonds amounted to approximately RMB1,975 million. As at the date of this report, the net proceeds have been fully utilised in compliance with the intended use of the proceeds.

For more details, please refer to the announcements of the Company dated 23 August 2016, 19 September 2016 and 13 January 2017.

APPROVAL OF PRC DOMESTIC CORPORATE BONDS

On 21 January 2016, the China Securities Regulatory Commission has by the approval document (Zheng Jian Xu Ke No. [2016] 152) (證監許可[2016]152號) (the "Approval") approved the application of Wuxi Wuzhou for the offer and issuance of domestic corporate bonds (the "Domestic Bonds") to qualified investors with an aggregate nominal value of not more than RMB1.6 billion, in the domestic financial bond market in the PRC. Under the terms of the Approval, the Domestic Bonds may be issued in multiple tranches, the first tranche may be issued within 12 months of the date of the Approval, whereby the remaining tranche(s) may be issued within 24 months of the date of the Approval. Wuxi Wuzhou will apply for the Domestic Bonds to be listed and traded on the Shanghai Stock Exchange in the PRC.

Wuxi Wuzhou has applied for the issue of the Domestic Bonds in order to provide Wuxi Wuzhou and its subsidiaries with an additional source of longer term funding at a reasonable financial cost for its operation and business development. Wuxi Wuzhou plans to use the net proceeds from the Domestic Bonds for refinancing and as general working capital of Wuxi Wuzhou and its subsidiaries. As at the date of this report, no part of the Domestic Bonds has been issued. For more details, please refer to the announcement of the Company dated 25 January 2016.

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

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2016.

* *for identification purposes only*

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR SIGNIFICANT CONTRACTS

No transaction, arrangement or significant contract, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY

The Company's Articles of Association provide that the Company shall indemnify and hold harmless out of the assets of the Company any Director who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, by reason of the fact that he is or was a Director or, while a Director, is or was serving at the request of the Company as a director, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by the Director.

The Company has arranged appropriate coverage on Directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group subsisted at the end of the year or at any time during the year ended 31 December 2016.

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2016, so far as the Directors or chief executive of the Company were aware, the person(s) (other than a Director or chief executive of the Company) who had interests or short positions in any Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in the Company as at 31 December 2016
Boom Win	Beneficial interest[(1)]	2,539,911,038	50.90%
Mr. Sun Hongbing	Beneficial interest	1,112,112,000	22.29%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation[(3)]	316,734,693[(2)]	6.35%
Ping An Property & Casualty Insurance Company of China, Ltd.	Interest of controlled corporation[(4)]	274,503,401[(2)]	5.50%
Ping An Life Insurance Company of China, Ltd.	Interest of controlled corporation[(5)]	274,503,401[(2)]	5.50%
Ping An Real Estate Company Limited	Interest of controlled corporation[(6)]	274,503,401[(2)]	5.50%
Pingan Real Estate Capital Limited	Beneficial interest	274,503,401[(2)]	5.50%

Notes:

(1) Boom Win is owned as to 60% by Mr. Shu Cecheng and as to 40% by Mr. Shu Cewan. Each of Mr. Shu Cecheng and Mr. Shu Cewan is deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.

(2) Interests in the 7.00% convertible notes due 2019 (the "Convertible Notes").

(3) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 274,503,401 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is 49% controlled by Ping An Life Insurance Company of China Ltd. which is 99.5% controlled by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 274,503,401 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited. Ping An UOB Fund Management Company Limited holds a direct interest in the Convertible Notes which will be convertible into 42,231,292 Shares and is 60.70% held by China Ping An Trust Co., Ltd., which is 99.88% held by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 42,231,292 underlying Shares represented by the Convertible Notes directly held by Ping An UOB Fund Management Company Limited.

(4) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 274,503,401 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is 35% controlled by Ping An Property & Casualty Insurance Company of China, Ltd.. Therefore, Ping An Property & Casualty Insurance Company of China, Ltd. is deemed to be interested in 274,503,401 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

(5) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 274,503,401 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is 49% controlled by Ping An Life Insurance Company of China Ltd.. Therefore, Ping An Life Insurance Company of China Ltd. is deemed to be interested in 274,503,401 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

(6) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 274,503,401 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Therefore, Ping An Real Estate Company Limited is deemed to be interested in 274,503,401 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2016, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in the year.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2016 are set out in note 42 to the financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

INTERESTS IN COMPETING BUSINESS

Save as disclosed, none of the Directors or any of their respective associates have engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The Group's emolument policy of the employees is formulated and reviewed by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are determined by the remuneration committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a mandatory provident fund scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the Company's mandatory provident fund scheme. Contributions are made based on a percentage of the employees' salaries. The assets of the Company's mandatory provident fund scheme are held separately from those of the Group by an independently administered fund. Contributions of the employer vest fully with the employees when contribution was made by the Company into the mandatory provident scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2016.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year ended 31 December 2016, the total amounts contributed by the Group to the schemes and amount charged to the consolidated income statement represented contribution payable to the scheme by the Group at rates specified in the rules of the schemes.

DEED OF NON-COMPETITION

Each of Mr. Shu Cecheng and Mr. Shu Cewan, the executive Directors, and Boom Win (the "Controlling Shareholders"), entered into a deed of non-competition dated 18 May 2013 (the "Deed of Non-competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which each of the Controlling Shareholders would not, and would procure that none of his/its associates (other than any member of the Group) will directly or indirectly, engage in any business which competes or is likely to compete directly or indirectly with the Group's business in the PRC or other places in which the Group carries on business.

In this regard, each of the Controlling Shareholders had provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-competition for the year ended 31 December 2016 and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings. The independent non-executive Directors had also reviewed the compliance by each of the Controlling Shareholders with the undertakings in the Deed of Non-competition during the year ended 31 December 2016. The independent non-executive Directors had confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the undertakings in the Deed of Non-competition given by them.

As of the date of this annual report, the Company is not aware of any other matters regarding the compliance of the undertaking and there has not been any change in the terms of the Deed of Non-competition since the Company's listing on the Stock Exchange.

ESG DISCUSSION

The Group has been transforming itself into an operator of modern mega-sized trade logistics parks. By gradually embedding environmental, social and governance ("ESG") factors into our daily operations, we have been striking a balance between business development and mitigation of environmental and social impact we created. In the regard, the Group has joined hands with its stakeholders, including tenants, customers, employees, suppliers, trade associations, local communities, etc, to contribute to the society's sustainable development, aiming to improve our ESG performance as a responsible corporate citizen. The Group's first ever ESG Report will be published in June 2017 and can be found on both the company's and the Stock Exchange's website.

Environment

The Group is dedicated to implementing its environmental protection philosophy. In 2016, the Group has strictly abided by the applicable environmental laws and regulations and received no major fines for environmental violations in 2016.

For our property management business, it is primarily an office-based operation. Our environmental initiative is to focus on energy saving and waste reduction, such as the promotion of paperless office, installation of office automation systems, use of video conferencing to replace business travel, etc.

For our project development business, all new projects are required to submit environmental impact assessment report, and construction begins only after obtaining permission from the environmental protection agency. We have also prepared the "Engineering Environmental Protection Management Guidance Manual", detailing the requirements of environmental protection and energy conservation measures.

We will continue to improve, identify, assess and control the potential risk of wastewater and waste disposal, and monitor the performance indicators related to the environment of the construction site.

Employee

With the Group's comprehensive and transparent recruitment and promotion mechanism, we can effectively attract and retain talent. In 2016, we have strictly complied with the "Labour Law of the People's Republic of China" and "Labour Contract Law of the People's Republic of China" in Mainland China. All new employees must produce originals and copies of original qualification documents necessary for the onboarding process and recruitment procedures according to requirements. Furthermore, they are required to fill out the "staff information form". Through strictly verifying new employee's identification, potential incidents on hiring child labour could be eliminated.

Over the years, the Group has been recruiting talents from both university campuses and the society to increase the Company's talent reserve. We have been continuously promoting the "high-flying" project targeting to university students, aiming to enrich the Group's talent pool.

Customers

The Group has been striving to attain higher customer satisfaction levels by providing better quality services to its customers. Detailed requirements regarding customer service are listed in our staff handbook. Calls received from customers and customer satisfaction measurements are handled according to regulations, and employees are strictly prohibited from intercepting needs and concerns expressed by customers. We have also developed a series of customer service management methods, including "retail customer service management approach", "complaints management approach", carrying out in-depth market management work and standardization of the market in order to avoid competition between tenants.

Suppliers

On engaging with our suppliers, we regularly monitor whether their performance has satisfied the Group's requirements regarding environmental and social aspects. In 2016, a supplier database has also been established to improve procurement efficiency.

Community

The Group bears its share of corporate social responsibility, understanding that it requires long-term efforts and does not imply participating charitable activities on a one-time basis. During the year, the Group held a number of community activities throughout Mainland China. By donating funds, materials and organizing public welfare activities, we actively connect with the communities by offering assistance in the areas of poverty alleviation, education, etc. In 2016, the Group had donated a total of RMB1,280,000.

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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2016, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at the date of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 December 2016.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the end of the year ended 31 December 2016 are set out in note 46 to the consolidated financial statements.

AUDITORS

The consolidated financial statements have been audited by Messrs. Ernst & Young. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Ernst & Young as the auditors of the Company.

On behalf of the Board
Shu Cecheng
Chairman

Hong Kong, 31 March 2017

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all Shareholders. The Company has always recognized the importance of Shareholders' transparency and accountability. It is the belief of the Board that Shareholders can maximize their benefits from good corporate governance.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules. The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the code provisions contained in the CG Code throughout the year ended 31 December 2016 except for code provisions A.1.1, A.2.7, A.4.1 and A.6.7.

Code provision A.1.1 of the CG Code stipulates that the board must meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Board held three board meetings during the year ended 31 December 2016 for approving the final results for the year ended 31 December 2015, interim results for the period ended 30 June 2016 and transacting other business respectively. Going forward, the Board will strive to comply with this code provision and hold at least four board meetings.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive Directors) without the executive directors present. Mr. Shu Cecheng, the chairman of the Company did not hold any meeting with the non-executive Directors of the Company without the executive Directors present. However, Mr. Shu Cecheng has effective communication with the non-executive Directors from time to time.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Wang Wei, the non-executive Director of the Company was not appointed for a specific term. The articles of association of the Company stipulates that every director shall be subject to retirement by rotation and re-election at least once every three years. Therefore, in the opinion of the Board, this meets the objective of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors and the non-executive Director did not attend the annual general meeting of the Company held on 27 May 2016 since they had other business commitments that required their attendance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding Directors' securities transactions during the year ended 31 December 2016 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2016 and up to the date of this annual report.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's business and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the Shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The Board is also responsible for maintaining and reviewing the effectiveness of the risk management and internal control systems of the Group. It has carried out reviews of the existing implemented systems and procedures, including control measures of financial and operational compliance and risk management functions of the Group.

The Board recognizes that corporate governance should be the collective responsibility of Directors and is responsible for performing the corporate governance duties as required under code provision D.3.1 of the CG Code. For the year ended 31 December 2016, the Company has, among others, reviewed and updated the compliance manuals on notifiable transactions and price sensitive information (inside information) in accordance with the Listing Rules as guidelines for its employees.

Composition and Qualifications

The Board currently comprises two executive Directors, being Mr. Shu Cecheng (Chairman) and Mr. Shu Cewan (Chief Executive Officer), one non-executive Director, being Mr. Wang Wei and three independent non-executive Directors, being Dr. Song Ming, Mr. Lo Kwong Shun Wilson and Prof. Shu Guoying. Biographical details of each Director are set out on pages 35 to 38.

The relationships among the members of the Board are disclosed under "Directors' Profile" on pages 35 to 36. Save as disclosed under "Directors' Profile", the Board members have no financial, business, family or other material/relevant relationships with each other. The formation of the Board has met Rule 3.10A of the Listing Rules for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years while each of the independent non-executive Directors has entered into a letter of appointment with the Company for a specific term of three years.

Mr. Wang Wei, the non-executive Director of the Company was not appointed for a specific term. This constitutes a deviation four code provision A.4.1 of the CG Code The Articles of Association of the Company stipulates that every Director shall be subject to retirement by rotation and re-election at least once every three years. Therefore, in the opinion of the Board, this meets the objective of the CG Code.

Directors' Training and Professional Development Programme

All Directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programmes and on-going training and professional development programmes for the Directors. Accordingly, the Company has and will arrange an induction programme for the newly appointed Director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed Director. The Company further arranges on-going training and professional development seminars for Directors.

During the year ended 31 December 2016, all Directors were provided with monthly newsletters on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also organized a seminar on the "Update of Directors' Obligations under the Securities and Futures Ordinance and the Corporate Governance Code" for the Directors. The seminar was facilitated by Company's legal advisors with presentation and relevant materials. Continuing briefings and professional development for Directors will be arranged whenever necessary.

All Directors had provided the company secretary of the Company with their training records for the year of 2016.

The individual training record of each Director during the year ended 31 December 2016 is set out below:

Directors	Types of continuous professional development programmes (Note)
Executive Directors	
Mr. Shu Cecheng	(A) and (B)
Mr. Shu Cewan	(A) and (B)
Mr. Shu Ceyuan (resigned on 20 September 2016)	(A) and (B)
Ms. Wu Xiaowu (resigned on 20 September 2016)	(A) and (B)
Mr. Zhao Lidong (resigned on 20 September 2016)	(A) and (B)
Non-executive Director	
Mr. Wang Wei	(A) and (B)
Independent Non-executive Directors	
Dr. Song Ming	(A) and (B)
Mr. Lo Kwong Shun Wilson	(A) and (B)
Prof. Shu Guoying	(A) and (B)

Note:

(A): attending briefing sessions and/or seminars

(B): reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

Indemnification of Directors and Officers

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

BOARD MEETINGS

The Board meets on a regular basis and three meetings were held during the year ended 31 December 2016. The individual attendance record is as follows:

Directors	No. of meetings attended/No. of meetings held
Executive Directors:	
Mr. Shu Cecheng	2/3
Mr. Shu Cewan	3/3
Mr. Shu Ceyuan (resigned on 20 September 2016)	2/3
Ms. Wu Xiaowu (resigned on 20 September 2016)	2/3
Mr. Zhao Lidong (resigned on 20 September 2016)	2/3
Non-executive Director:	
Mr. Wang Wei	1/3
Independent non-executive Directors:	
Dr. Song Ming	2/3
Mr. Lo Kwong Shun Wilson	2/3
Prof. Shu Guoying	1/3

Directors have timely access to relevant information prior to each Board meeting. Directors are given the opportunity to include matters in the agenda for regular Board meetings while Directors have access to board papers and related materials to allow them to make informed decisions on matters arising from Board meetings.

Minutes of Board meetings and meetings of other committees are kept by the company secretary of the Company and are open for inspection by Directors.

During the year ended 31 December 2016, the Company held one general meeting. The attendance by the Directors at the general meeting were as follows:

Directors	No. of meetings attended/No. of meetings held
Executive Directors:	
Mr. Shu Cecheng	0/1
Mr. Shu Cewan	0/1
Mr. Shu Ceyuan (resigned on 20 September 2016)	0/1
Ms. Wu Xiaowu (resigned on 20 September 2016)	1/1
Mr. Zhao Lidong (resigned on 20 September 2016)	0/1
Non-executive Director:	
Mr. Wang Wei	0/1
Independent non-executive Directors:	
Dr. Song Ming	0/1
Mr. Lo Kwong Shun Wilson	0/1
Prof. Shu Guoying	0/1

AUDIT COMMITTEE

The Company has established an audit committee for purpose of reviewing and monitoring the financial reporting process, risk management and internal control systems of the Company. The audit committee of the Company currently comprises three independent non-executive Directors, including Mr. Lo Kwong Shun Wilson, Dr. Song Ming and Prof. Shu Guoying, while Mr. Lo Kwong Shun Wilson is the chairman of the audit committee.

During the year ended 31 December 2016, the audit committee held two meetings. The individual attendance records is as follows:

Directors	No. of meetings attended/No. of meetings held
Mr. Lo Kwong Shun Wilson	2/2
Dr. Song Ming	2/2
Prof. Shu Guoying	1/2

The audit committee is mainly responsible for reviewing important accounting policies, overseeing the Company's financial reporting process, monitoring the performance of the external auditors and the internal audit department, reviewing and evaluating the effectiveness of the Company's financial reporting procedures, risk management and internal control procedures and ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

During the year ended 31 December 2016, the audit committee reviewed and discussed with external auditors of the Company the Group's financial statements and the audit committee also reviewed the effectiveness of the Company's internal audit function. The audit committee together with the management of the Company also reviewed the accounting policies and practices adopted by the Group and discussed, among other things, risk management and internal control systems and financial reporting matters.

REMUNERATION COMMITTEE

The Company has established a remuneration committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management, as well as reviewing and determining the remuneration of all executive Directors and senior management with reference to the Company's objectives from time to time. The remuneration committee currently comprises an executive Director, Mr. Shu Cewan, and two independent non-executive Directors, Dr. Song Ming and Prof. Shu Guoying, while Dr. Song Ming is the chairman of the committee.

During the year ended 31 December 2016, the remuneration committee held one meeting. The individual attendance records is as follows:

Directors	No. of meetings attended/No. of meetings held
Dr. Song Ming	1/1
Mr. Shu Cewan	1/1
Prof. Shu Guoying	1/1

During the year ended 31 December 2016, the remuneration committee has discussed and reviewed the remuneration packages of the Directors, the service contracts, appointment letters entered into with the Directors. The committee has also reviewed the remuneration policy for Directors and senior management of the Company, and has made recommendations to the Board on the service contracts, appointment letters and remuneration packages of individual executive Directors and senior management.

Details of the remuneration by band of the eight members of the senior management of the Company (including executive Directors), whose biographies are set out on pages 35 to 39 of this annual report, for the year ended 31 December 2016 are set out below:

Remuneration band	Number of individuals
Nil to RMB1,000,000	7
RMB1,000,001 to RMB2,000,000	1

NOMINATION COMMITTEE

The Company has established a nomination committee. The nomination committee is primarily responsible for selection and assessment of suitable candidates for appointment of Directors. The nomination committee currently comprises an executive Director, Mr. Shu Cecheng and two independent non-executive Directors, Dr. Song Ming and Mr. Lo Kwong Shun, Wilson, while Mr. Shu Cecheng is the chairman of the committee.

In considering the suitability of a candidate for directorship, the nomination committee will take into account the qualification, experience, expertise and knowledge of the candidates as well as the requirements under the Listing Rules.

The Company adopted a policy concerning the diversity of Board members with measurable objectives. The nomination committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional and industry experience, skills, knowledge, ethnicity and other qualities essential to the Company's business, and merit and contribution that the selected candidates will bring to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

During the year ended 31 December 2016, the nomination committee held one meeting. The individual attendance records is as follows:

Directors	No. of meetings attended/No. of meetings held
Mr. Shu Cecheng	1/1
Dr. Song Ming	1/1
Mr. Lo Kwong Shun Wilson	0/1

During the year ended 31 December 2016, the nomination committee have reviewed the composition and diversity of the Board. Since the Board is composed of members coming from diverse backgrounds, the nomination committee considered the Board to possess a diversity of perspectives which is up to the standard of the CG Code and is appropriate to the Group's requirements which is determined by the Directors' skills and experience appropriate to the Company's business.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. The Chairman of the Board is Mr. Shu Cecheng and the chief executive officer is Mr. Shu Cewan. Mr. Shu Cecheng and Mr. Shu Cewan are brothers. However, there is a clear distinction between the Chairman's responsibility for overall strategic planning and the chief executive officer's responsibility for the management of day-to-day operation of the Group's business.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the total remuneration for statutory audit services provided by the Company's external auditors, Messrs Ernst & Young ("E&Y"), and PRC local auditors amounted to approximately RMB5,400,000 and RMB1,689,000 respectively.

During the year ended 31 December 2016, the total remuneration for permissible non-audit services provided by the external auditors (including any entity under common control, ownership or management with the external auditors) amounted to RMB600,000. Total remuneration in respect of services provided by the external auditors is set out below:

	RMB'000
Paid to E&Y for statutory audit services	5,400
Paid to E&Y as reporting accountants in respect of	
– the issue of domestic corporate bond	600
Paid to PRC auditors for statutory audit services	1,689
Less: Transaction costs included in the financial liabilities	(600)
Total	7,089

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2016, the Company has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor of the residual risks.

Based on the risk assessments conducted in the year ended 31 December 2016, no significant risk was identified.

Internal Control System

The Company has in place an internal control system. The internal control framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in the year ended 31 December 2016, no significant control deficiency was identified.

Internal Auditors

The Group has established its internal audit department, which consists of professional staff with relevant expertise. The internal audit department is independent of the Group's daily operation and is responsible for financial and operational audit of the Company and its subsidiaries on a regular basis, as well as formulating risk management and internal control system for pinpointing, identifying and controlling financial and operational risks, ensuring compliance with all applicable laws and regulations and protection of the Group's assets.

The internal audit team principally supervises and reviews internal control and compliance matters of the Group, and internal audit covers investments, marketing activities, operation, procurement and tenders as well as information security.

According to the Company's internal audit plan, review of the risk management and internal control systems is conducted semi-annually respectively, and the results are reported to the Board via the audit committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is overall responsible for the risk management and internal control systems of the Group including financial, operational and compliance controls, and review and assessment of the effectiveness of these systems has been conducted semi-annually in order to safeguard the Group's assets and Shareholders' interests. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by the internal audit department and the audit committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, 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. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards, which give a true and fair view of the state of affairs of the Group and of the results of its operations and cash flows for that period. The Directors also acknowledged their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

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

The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the "Independent Auditors' Report" on pages 65 to 69 of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to article 58 of the Articles of Association of the Company, 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 extraordinary general meeting 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 21 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.

Procedures by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the company secretary through the above means. If Shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong from time to time.

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2016.

INVESTOR RELATIONS

Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the Shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the investor relations team engages in providing effective ways for Shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.wz-china.com" also acts as a communication platform with Shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively respond to any enquiries raised by the Shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors' meetings, luncheons, site visits and a number of non-deal road shows and actively participated in a couple of global investors' conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the audit committee, remuneration committee and nomination committee of the Company have been invited to attend the annual general meetings and other Shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wz-china.com) after the relevant general meetings.

COMPANY SECRETARY

The company secretary of the Company is Mr. Cheung Man Hoi. The Board had reviewed the training and continuous professional development of the company secretary during the year ended 31 December 2016 and considered that the requirements under Rule 3.29 of the Listing Rules in respect of the professional training of the company secretary were complied with.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Wuzhou International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wuzhou International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 84, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Inventory provision In accordance with International Accounting Standards ("IAS") 2 Inventories, the Group measures properties under development, completed properties held for sale and prepaid land lease payments (collectively referred to as "inventories") at the lower of cost and net realisable value. Inventory provision was significant to our audit because inventory provision balance of RMB116,646,000 as of 31 December 2016 is material to the consolidated financial statements. In addition, management's assessment process is complex and highly judgmental and based on assumptions, specifically forecast selling price and sales plan, which are affected by expected future market or economic conditions, particularly those in mainland China. The accounting policies and disclosures for the inventory provision are included in notes 2.4, 3, 15, 16 to the consolidated financial statements.	In assessing the Group's determination of net realisable value, we evaluated the competency and objectivity of the external appraiser engaged by the Group and our internal valuation experts in our audit work, including reviewing the methodology and key valuation parameter adopted by the external appraiser. We challenged the assumptions by assessing whether the estimated selling prices are based on the existing contracts or based on the comparable properties in the market. We also tested the accuracy of the calculation by assessing the calculation criteria and recalculated the provision for a sample of inventories.
Investment properties The valuation of the investment properties is important to our audit as it represents a significant judgment area and an important part of the total assets of the Group. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The valuation process is complex and dependent on high quality data. We therefore identified the valuation of investment property as a significant risk. The group policy is that property valuations are performed by external experts at least on semi-annual basis. These valuations are amongst others based on assumptions, such as estimated rental revenues, discount rates, occupancy rates, developer risk and historical transactions. The accounting policies and disclosures for the investment properties are included in notes 2.4, 3, 13 to the consolidated financial statements.	Amongst others, we have evaluated the objectivity, independence and expertise of the external appraisers. We furthermore assessed the correctness of the property related data as used as input for the valuations and involved our real estate valuation specialists to assist us in evaluating the valuations and challenging the underlying assumptions. This included, where relevant, comparison of judgements made to current and emerging market practice and re-performance of valuations on a sample basis. We further focused on the adequacy of the disclosures on the valuation of investment properties. Disclosures of this item are included in note 13 of the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ling.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	3,788,328	3,332,809
Cost of sales		(2,443,681)	(2,617,435)
Gross profit		1,344,647	715,374
Other income and gains	5	310,961	147,562
Selling and distribution expenses		(285,895)	(405,946)
Administrative expenses		(285,907)	(452,494)
Other expenses	5	(227,067)	(153,768)
Increase in fair value of investment properties	13	294,698	185,354
Finance costs	7	(608,164)	(369,165)
Share of profits and losses of associates	19(b)	(9,544)	(11,503)
PROFIT/(LOSS) BEFORE TAX	6	533,729	(344,586)
Income tax expense	10	(424,598)	(216,798)
PROFIT/(LOSS) FOR THE YEAR		109,131	(561,384)
Attributable to:			
Owners of the parent		100,573	(481,742)
Non-controlling interests		8,558	(79,642)
		109,131	(561,384)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic (Cents)		2.02	(9.95)
Diluted (Cents)		2.02	(9.95)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
PROFIT/(LOSS) FOR THE YEAR		**109,131**	(561,384)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	20	**(2,825)**	–
Income tax effect	21	**223**	–
		(2,602)	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(2,602)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(2,602)**	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**106,529**	(561,384)
Attributable to:			
Owners of the parent		**98,151**	(481,742)
Non-controlling interests		**8,378**	(79,642)
		106,529	(561,384)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	251,468	260,470
Investment properties	13	8,522,900	7,939,100
Prepaid land lease payments	14	761,085	–
Other intangible assets	17	2,875	3,914
Long-term deferred expense	18	1,114	2,416
Investments in associates	19	57,640	29,997
Available-for-sale investment	20	271,850	950
Deferred tax assets	21	187,196	212,855
Total non-current assets		10,056,128	8,449,702
CURRENT ASSETS			
Inventories		15,183	6,553
Properties under development	15	3,519,156	4,705,991
Completed properties held for sale	16	3,532,799	3,053,952
Trade receivables	22	46,451	25,738
Due from related company	42	2,606	–
Due from a related party	42	630	–
Prepaid land lease payments	14	523,011	1,222,788
Prepayments, deposits and other receivables	23	1,691,598	863,278
Tax recoverable		75,208	122,252
Available-for-sale investments	20	246,275	–
Restricted cash	24	92,470	154,210
Pledged deposits	24	1,982,599	1,391,220
Cash and cash equivalents	24	1,685,744	1,006,078
Total current assets		13,413,730	12,552,060
CURRENT LIABILITIES			
Trade and bills payables	25	3,164,463	3,677,178
Other payables and accruals	26	1,179,277	1,036,728
Advances from customers	27	2,899,039	3,543,472
Derivative financial instruments	28	23,728	29,272
Convertible notes	30	684,840	573,578
Corporate bonds	33	508,689	–
Interest-bearing bank and other borrowings	29	3,494,704	2,793,739
Tax payable	10	914,134	733,282
Total current liabilities		12,868,874	12,387,249
NET CURRENT ASSETS		544,856	164,811
TOTAL ASSETS LESS CURRENT LIABILITIES		10,600,984	8,614,513

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**2,285,514**	2,165,691
Senior notes	32	**2,126,449**	1,976,608
Corporate bonds	33	**1,515,131**	–
Deferred tax liabilities	21	**523,595**	456,331
Total non-current liabilities		**6,450,689**	4,598,630
Net assets		**4,150,295**	4,015,883
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**313,354**	313,354
Reserves	35	**3,331,205**	3,244,929
		3,644,559	3,558,283
Non-controlling interests		**505,736**	457,600
Total equity		**4,150,295**	4,015,883

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent						
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Reserves RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015	293,026	950,569	391,681	2,032,156	3,667,432	543,851	4,211,283
Issuance of new shares	20,043	343,025	–	–	363,068	–	363,068
Exercise of share options	285	5,416	(1,039)	–	4,662	–	4,662
Contribution from non-controlling shareholders of subsidiaries	–	–	(2,702)	–	(2,702)	13,702	11,000
Total comprehensive income for the year	–	–	–	(481,742)	(481,742)	(79,642)	(561,384)
Disposal of subsidiaries (note 38)	–	–	–	–	–	(2,290)	(2,290)
Acquisition of non-controlling interests	–	–	776	–	776	(18,021)	(17,245)
Appropriations to statutory surplus reserve	–	–	29,641	(29,641)	–	–	–
Conversion from reserve funds/retained profit to capital reserve	–	–	14,034	(14,034)	–	–	–
Equity-settled share option arrangements	–	–	6,789	–	6,789	–	6,789
As at 31 December 2015	313,354	1,299,010*	439,180*	1,506,739*	3,558,283	457,600	4,015,883
As at 1 January 2016	313,354	1,299,010	439,180	1,506,739	3,558,283	457,600	4,015,883
Issuance of new shares	–	–	–	–	–	–	–
Exercise of share options	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	17,000	17,000
Business combination	–	–	–	–	–	26,415	26,415
Total comprehensive income for the year	–	–	(2,422)	100,573	98,151	8,378	106,529
Disposal of subsidiaries (note 38)	–	–	–	–	–	(171)	(171)
Acquisition of non-controlling interests	–	–	(9,514)	–	(9,514)	(3,486)	(13,000)
Appropriations to statutory surplus reserve	–	–	51,292	(51,292)	–	–	–
Equity-settled share option arrangements	–	–	(2,361)	–	(2,361)	–	(2,361)
As at 31 December 2016	313,354	1,299,010*	476,175*	1,556,020*	3,644,559	505,736	4,150,295

* These reserve accounts comprise the consolidated reserves of RMB3,331,205,000 (2015: RMB3,244,929,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**533,729**	(344,586)
Adjustments for:			
Finance costs	7	**608,164**	369,165
Share of profits and losses of associates	19(b)	**9,544**	11,503
Interest income	5	**(38,810)**	(22,425)
Gain on acquisition of a subsidiary	5,37	**(27,493)**	–
Gain on acquisition of an associate	5	**(9,749)**	–
Depreciation	6,12	**17,486**	25,178
Amortisation of intangible assets	6,17	**1,066**	884
Amortisation of long-term deferred expenses	6,18	**1,446**	1,279
Write-down of properties under development and for sale to net realisable value	6	**30,575**	135,665
Gain on disposal of items of property, plant and equipment	5	**(1,215)**	(179)
Gain on disposal of subsidiaries	5,38	**(178,017)**	–
Increase in fair value of investment properties	13	**(294,698)**	(185,354)
Change in fair value of derivative financial instruments	30	**(5,544)**	(55,432)
Equity-settled share option expense	6,33	**(2,361)**	6,789
		644,123	(57,513)
Increase in inventories		**(8,630)**	(5,544)
Decrease in properties under development and for sale		**245,207**	32,523
Disposal of investment properties	13	**23,074**	31,358
Additions of long-term deferred expense	18	**(144)**	(1,344)
(Increase)/decrease in trade receivables		**(20,755)**	17,256
Decrease/(increase) in prepayments, deposits and other receivables		**6,059**	(48,248)
Increase in prepaid land lease payments	14	**(163,461)**	(139,245)
Decrease in trade and bills payables		**(323,187)**	(360,389)
Decrease/(increase) in restricted cash		**61,443**	(65,556)
Decrease in pledged deposits		**191,028**	70,670
Increase in other payables and accruals		**694,889**	93,141
(Decrease)/increase in advances from customers		**(644,433)**	335,106
Cash generated from/(used in) operations		**705,213**	(97,785)
Interest received	5	**38,810**	22,425
Interest paid		**(779,199)**	(730,988)
Income taxes paid		**(113,388)**	(309,167)
Net cash flows used in operating activities		**(148,564)**	(1,115,515)

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(10,310)	(6,279)
Purchases of intangible assets	17	(89)	(859)
Proceed of acquisition of a subsidiary	37	2,387	–
Proceeds from disposal of items of property, plant and equipment		1,856	664
Increase in investment properties		(222,954)	(485,759)
Disposal of subsidiaries	38	470,088	(2,290)
Purchase of available-for-sale investments		(520,000)	(950)
Investment in an associate		(23,500)	–
Advances to a related company	42	(7,274)	(5,947)
Advances to a related party	42	(630)	–
Recovery of advances to related companies	42	730	3,266
Increase in prepayments, deposits and other receivables		(1,047,420)	–
Net cash flows used in investing activities		(1,357,116)	(498,154)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31	–	363,068
Exercise of share options	34	–	4,662
Net proceeds from the issuance of senior notes	32	–	618,973
Net proceeds from the issuance of corporate bonds	33	1,974,865	–
Effect of foreign exchange rate changes, net	5	168,100	137,279
Capital contribution from non-controlling interests		17,100	11,000
Acquisition of non-controlling interests		(13,000)	(17,245)
Advances from a related company and a related party	42	20,837	105,119
Repayment of advances from a related company and a related party	42	(20,837)	(105,119)
Decrease in pledged deposits		(782,407)	(927,745)
Proceeds from interest-bearing bank loans and other borrowings		5,719,439	2,849,375
Repayment of interest-bearing bank loans and other borrowings		(4,898,651)	(1,598,880)
Net cash flow from financing activities		2,185,346	1,440,487
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		679,666	(173,182)
Cash and cash equivalents at beginning of year		1,006,078	1,179,260
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,685,744	1,006,078
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	3,760,813	2,551,508
Less: Restricted cash	24	92,470	154,210
Pledged deposits	24	1,982,599	1,391,220
Cash and cash equivalents as stated in the statement of cash flows		1,685,744	1,006,078

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1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 June 2013.

The head office and principal place of business of the Company in Hong Kong is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group was principally involved in property development, property investment and the provision of property management services.

In the opinion of the directors, the ultimate holding company of the Company is Boom Win Holding Limited, which is incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan (the "Shu Brothers" or "Controlling Shareholders").

Particulars of the Company's principal subsidiaries are as follows:

Subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:				
Wuzhou International Investment Limited 五洲國際投資有限公司 ("Wuzhou International Investment")	British Virgin Islands/ 27 April 2010	US$50,000	100%	Investment holding
Taishun International Company Limited 泰順國際有限公司 ("Taishun International")	British Virgin Islands/ 19 June 2013	US$50,000	100%	Investment holding
Zhouji International Company Limited 洲際國際有限公司 ("Zhouji International")	British Virgin Islands/ 19 June 2013	US$50,000	100%	Investment holding
Long An (Wuzhou) International Company Limited 龍安(五洲)國際有限公司 ("Longan Wuzhou International")	British Virgin Islands/ 19 June 2013	US$50,000	100%	Investment holding
Wuzhou Overseas Company Limited 五洲海外股份有限公司 ("Wuzhou Overseas")	British Virgin Islands/ 8 December 2014	US$50,000	100%	Investment holding

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held: (continued)				
Wuzhou International Overseas Commercial Development Limited 五洲國際海外商業發展有限公司 ("Wuzhou International Overseas Commercial")	British Virgin Islands/ 8 December 2014	US$50,000	100%	Investment holding
Wuzhou International Overseas Company Limited 五洲國際海外股份有限公司 ("Wuzhou International Overseas")	British Virgin Islands/ 8 December 2014	US$50,000	100%	Investment holding
Wuzhou International Overseas Enterprise Limited 五洲國際海外實業有限公司 ("Wuzhou International Overseas Enterprise")	British Virgin Islands/ 8 December 2014	US$50,000	100%	Investment holding
Wuzhou International Trading and Logistics Co., Ltd. 五洲國際商貿物流有限公司 ("Wuzhou Trading & Logistics")	British Virgin Islands/ 10 June 2015	USD1	100%	Investment holding
Wuzhou International Trading Co., Ltd. 五洲國際商貿有限公司 ("Wuzhou International Trading")	British Virgin Islands/ 10 June 2015	USD1	100%	Investment holding
Wuzhou International Logistics Co., Ltd. 五洲國際物流有限公司 ("Wuzhou International Logistics")	British Virgin Islands/ 10 June 2015	USD1	100%	Investment holding
Indirectly held:				
Wuzhou Company Limited 五洲股份有限公司 ("Wuzhou Company")	Hong Kong/ 3 September 2014	HK$1	100%	Investment holding

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)				
Wuzhou International Commercial Development Limited 五洲國際商業發展有限公司(香港) ("Wuzhou International Commercial")	Hong Kong/ 3 September 2014	HK$1	100%	Investment holding
Wuzhou International Company Limited 五洲國際股份有限公司 ("Wuzhou International Company")	Hong Kong/ 3 September 2014	HK$1	100%	Investment holding
Wuzhou International Enterprise Limited 五洲國際實業有限公司 ("Wuzhou International Enterprise")	Hong Kong/ 3 September 2014	HK$1	100%	Investment holding
Hong Kong Wuzhou International Group Limited 香港五洲國際集團有限公司 ("Hongkong Wuzhou")	Hong Kong/ 6 May 2010	HK$10,000	100%	Investment holding
Hong Kong Longan Investment Company Limited 香港龍安投資有限公司 ("Hongkong Longan Investment")	Hong Kong/ 4 July 2013	HK$10,000	100%	Investment holding
Hong Kong Zhouji Investment Company Limited 香港洲際投資有限公司 ("Hongkong Zhouji Investment")	Hong Kong/ 4 July 2013	HK$10,000	100%	Investment holding
Hong Kong Taishun Investment Company Limited 香港泰順投資有限公司 ("Hongkong Taishun Investment")	Hong Kong/ 4 July 2013	HK$10,000	100%	Investment holding
Hong Kong Wuzhou Lisheng International Group Limited 香港五洲立盛國際集團有限公司 ("Hongkong Wuzhou Lisheng International")	Hong Kong/ 2 August 2013	HK$10,000	51%	Investment holding

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
無錫中南置業投資有限公司 ("Wuxi Zhongnan")	2	PRC/ 24 December 2004	RMB36,614,000	100%	Property development
無錫五洲國際裝飾城有限公司 ("Wuxi Wuzhou Ornament City")	1	PRC/ 1 February 2005	RMB100,000,000	100%	Property development and property investment
無錫五洲商業管理有限公司 ("Wuxi Business Management")	2	PRC/ 5 January 2006	RMB5,000,000	100%	Property management
無錫市崇安新城龍安置業有限公司 ("Wuxi Longan")	2	PRC/ 6 March 2007	RMB60,000,000	64.3%	Property development
無錫五洲國際商業運營有限公司 ("Wuzhou Business Operation")	2	PRC/ 18 July 2008	RMB50,000,000	100%	Property management
無錫市崇安新城龍安商業物業經營管理有限公司 ("Longan Management")	2	PRC/ 24 October 2008	RMB1,000,000	64.3%	Property management
無錫市龍祥投資有限公司 ("Wuxi Longxiang")	2	PRC/ 30 April 2009	RMB20,000,000	62%	Property development
無錫五洲匯科技股份有限公司* ("Wuxi Wuzhouhui Technologies")	2	PRC/ 10 September 2009	RMB30,000,000	85%	Marketing and planning of property development
杭州龍安置業有限公司 ("Hangzhou Longan")	1	PRC/ 23 November 2009	US$37,500,000	100%	Property development
鹽城五洲置業有限公司 ("Yancheng Wuzhou")	2	PRC/ 30 December 2009	RMB20,000,000	100%	Property development
南通五洲國際投資有限公司 ("Nantong Wuzhou")	2	PRC/ 21 January 2010	RMB80,000,000	51%	Property development

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
無錫五洲國際置業有限公司 ("Wuxi International Property")	2	PRC/ 31 March 2010	RMB50,000,000	100%	Property development
盱眙五洲國際置業有限公司 ("Xuyi Wuzhou")	2	PRC/ 19 April 2010	RMB50,000,000	100%	Property development
大理五洲國際商貿城有限公司 ("Dali Wuzhou")	2	PRC/ 27 August 2010	RMB20,000,000	100%	Property development
榮昌縣五洲五金裝飾城有限公司 ("Rongchang Wuzhou")	2	PRC/ 20 September 2010	RMB60,000,000	94%	Property development
無錫市龍騰商業投資發展有限公司 ("Wuxi Longteng")	2	PRC/ 22 December 2010	RMB50,000,000	100%	Property development
無錫五洲商業投資有限公司 ("Wuxi Property Investment")	2	PRC/ 3 March 2011	RMB20,000,000	100%	Property development
山東五洲國際家居博覽城有限公司 ("Leling Wuzhou")	2	PRC/ 28 March 2011	RMB20,000,000	51%	Property development
無錫五洲龍盛商業有限公司 ("Wuxi Longsheng")	2	PRC/ 19 April 2011	RMB20,000,000	100%	Property development
無錫萬翔商業物業運營有限公司 ("Wanxiang Marketing Development")	2	PRC/ 25 August 2011	RMB500,000	100%	Property management
建湖五洲國際置業有限公司 ("Jianhu Wuzhou")	2	PRC/ 31 August 2011	RMB20,000,000	100%	Property development
襄陽五洲國際商貿城有限公司 ("Xiangyang Wuzhou")	2	PRC/ 13 September 2011	RMB100,000,000	100%	Property development
瀋陽五洲國際工業博覽城置業有限公司 ("Shenyang Wuzhou")	2	PRC/ 13 October 2011	RMB100,000,000	100%	Property development
龍口五洲國際商貿城有限公司 ("Longkou Wuzhou")	2	PRC/ 10 November 2011	RMB20,000,000	95%	Property development

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
無錫六龍城商業管理有限公司 ("Longsheng Marketing Development")	2	PRC/ 10 January 2012	RMB1,000,000	100%	Property management
建湖五洲國際商業運營有限公司 ("Jianhu Marketing Development")	2	PRC/ 13 January 2012	RMB1,000,000	100%	Property management
宜興五洲國際商業運營有限公司 ("Yixing Wuzhou")	2	PRC/ 17 January 2012	RMB20,000,000	100%	Property management
江陰五洲置業有限公司 ("Jiangyin Wuzhou")	2	PRC/ 17 January 2012	RMB60,000,000	90%	Property development
無錫市新龍騰經營管理有限公司 ("Longteng Marketing Development")	2	PRC/ 14 February 2012	RMB1,000,000	100%	Property management
無錫市龍乾物業管理有限公司 ("Longqian Marketing Development")	2	PRC/ 24 February 2012	RMB1,000,000	100%	Property management
鹽城五洲商業運營管理有限公司 ("Yancheng Marketing Development")	2	PRC/ 29 May 2012	RMB1,000,000	100%	Property management
盱眙五洲國際商業物業服務有限公司 ("Xuyi Marketing Development")	2	PRC/ 1 June 2012	RMB1,000,000	100%	Property management
無錫梅村五洲國際商業物業管理有限公司 ("Meicun Marketing Development")	2	PRC/ 4 June 2012	RMB1,000,000	100%	Property management
大理五洲國際物業管理有限公司 ("Dali Wuzhou Property Management")	2	PRC/ 19 June 2012	RMB1,000,000	100%	Property management
榮昌縣五洲物業管理有限公司 ("Rongchang Property Wuzhou Management")	2	PRC/ 2 July 2012	RMB1,000,000	100%	Property management
煙台五洲置業有限公司 ("Yantai Wuzhou")	2	PRC/ 24 July 2012	RMB20,000,000	95%	Property development

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
五洲哥倫布（射陽）置業有限公司 ("Wuzhou Columbia Sheyang")	2	PRC/ 7 August 2012	RMB157,282,500	100%	Property development
吉林市五洲國際商貿城有限公司 ("Jilin Wuzhou")	2	PRC/ 10 August 2012	RMB20,000,000	100%	Property development
襄陽五洲國際商業物業管理有限公司 ("Xiangyang Property Management")	2	PRC/ 27 September 2012	RMB1,000,000	100%	Property management
煙台五洲國際商業運營有限公司 ("Yantai Business Operation")	2	PRC/ 20 December 2012	RMB1,000,000	100%	Property management
保山五洲國際廣場有限公司 ("Baoshan Wuzhou")	2	PRC/ 9 January 2013	RMB20,000,000	61%	Property development
無錫五洲地產有限公司 ("Wuxi Property")	2	PRC/ 9 January 2013	RMB20,000,000	80%	Property development
龍口市五洲國際物業管理有限公司 ("Longkou Property Management")	2	PRC/ 10 January 2013	RMB1,000,000	100%	Property management
樂陵五洲國際商業物業管理有限公司 ("Leling Commercial Property")	2	PRC/ 22 January 2013	RMB1,000,000	100%	Property management
射陽五洲國際商業廣場管理有限公司 ("Sheyang Commercial Plaza")	2	PRC/ 24 January 2013	RMB1,000,000	100%	Property management
洛陽五洲國際工業博覽城有限公司 ("Luoyang Wuzhou")	2	PRC/ 31 January 2013	RMB60,000,000	51%	Property development
長春五洲商業管理有限公司 ("Changchun Wuzhou")	2	PRC/ 22 February 2013	RMB50,000,000	100%	Property management
江陰市五洲國際商業運營有限公司 ("Jiangyin Wuzhou Management")	2	PRC/ 8 April 2013	RMB1,000,000	100%	Property management
瑞安市五洲國際商貿城有限公司 ("Ruian Wuzhou Development")	2	PRC/ 9 April 2013	RMB50,000,000	100%	Property development

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
杭州潤都物業管理有限公司 ("Hangzhou Rundu Management")	2	PRC/ 28 April 2013	RMB1,000,000	100%	Property management
吉林市五洲國際房地產開發有限公司 ("Jilin Wuzhou Development")	2	PRC/ 8 May 2013	RMB20,000,000	100%	Property development
無錫龍翔商業管理有限公司 ("Longxiang Management")	2	PRC/ 24 June 2013	RMB1,000,000	100%	Property management
無錫龍廣貿易有限公司 ("Wuxi Longguang Trade")	1	PRC/ 8 July 2013	US$30,000,000	100%	Trading
菏澤市牡丹區五洲置業有限公司 ("Heze Wuzhou Development")	2	PRC/ 17 July 2013	RMB50,000,000	60%	Property development
牡丹江五洲國際商貿博覽城有限公司 ("Mudanjiang Wuzhou Development")	1	PRC/ 25 July 2013	HK$195,000,000	100%	Property development
南通五洲物業運營有限公司 ("Nantong Management")	2	PRC/ 13 August 2013	RMB1,000,000	100%	Property management
無錫龍泰商業管理有限公司 ("Longtai Management")	1	PRC/ 15 August 2013	US$5,000,000	100%	Property management
保山五洲國際商業運營有限公司 ("Baoshan Wuzhou Management")	2	PRC/ 19 August 2013	RMB1,000,000	100%	Property management
江蘇通潤置業有限公司 ("Jiangsu Tongrun Development")	1	PRC/ 26 August 2013	US$80,000,000	100%	Property development
長春市中南房地產開發有限公司 ("Changchun Zhongnan Development")	1	PRC/ 29 August 2013	RMB200,000,000	100%	Property development
牡丹江五洲國際商業運營有限公司 ("Mudanjiang Wuzhou Management")	2	PRC/ 1 October 2013	RMB1,000,000	100%	Property management
鄭州五洲國際工業博覽城房地產有限公司 ("Zhengzhou Wuzhou Development")	2	PRC/ 11 October 2013	RMB50,000,000	100%	Property development

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
瑞安市五洲國際商業管理有限公司 ("Ruian Wuzhou Management")	2	PRC/ 17 October 2013	RMB1,000,000	100%	Property management
宜興五洲立盛商業發展有限公司 ("Yixing Wuzhou Lisheng Development")	1	PRC/ 29 October 2013	US$30,000,000	51%	Property development
洛陽通潤物業管理有限公司 ("Luoyang Tongrun Management")	2	PRC/ 3 December 2013	RMB1,000,000	100%	Property management
陝西五洲商業投資有限公司 ("Shaanxi Wuzhou Development")	2	PRC/ 6 December 2013	RMB30,000,000	100%	Property development
五洲國際商業發展有限公司 ("Business Development")	2	PRC/ 18 March 2014	RMB100,000,000	100%	Investment holding
無錫五洲國際電子商務有限公司 ("Wuzhou E-Commerce")	2	PRC/ 30 May 2014	RMB5,000,000	100%	Trading
瀋陽五洲潤通國際商業運營有限公司 ("Shenyang Management")	2	PRC/ 14 May 2014	RMB1,000,000	100%	Property management
鄭州五洲國際商業運營有限公司 ("Zhenzhou Management")	2	PRC/ 15 May 2014	RMB1,000,000	100%	Property management
通遼五洲國際商貿城置業有限公司 ("Tongliao Wuzhou International")	2	PRC/ 18 June 2014	RMB50,000,000	100%	Property development
無錫五洲國際廣告傳媒有限公司 ("Wuxi Advertising Media")	2	PRC/ 14 July 2014	RMB1,000,000	100%	Advertising
江蘇五洲酒店管理有限公司 ("Jiangsu Hotel Management")	1	PRC/ 2 July 2014	US$2,000,000	100%	Property management
無錫五洲國際食品交易市場有限公司 ("Wuxi Food Exchange Market")	2	PRC/ 19 August 2014	RMB1,000,000	100%	Property management
宜興六龍城商業管理有限公司 ("Yixing Management")	2	PRC/ 25 July 2014	RMB1,000,000	51%	Property management

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
徐州五洲公路港物流服務有限公司 ("Xuzhou Wuzhou")	2	PRC/ 21 November 2014	RMB80,000,000	70%	Property development
通遼五洲國際商業運營有限公司 ("Tongliao Management")	2	PRC/ 4 August 2014	RMB1,000,000	100%	Property management
無錫天澤投資有限公司 ("Wuxi Tianze Investment")	2	PRC/ 12 November 2014	RMB10,000,000	100%	Investment management
泰順泰聯股權投資基金管理有限公司 ("Taishun Thailian")	2	PRC/ 17 December 2014	RMB30,000,000	53%	Investment management
泰順泰鴻股權投資基金管理有限公司 ("Taishun Taihong")	2	PRC/ 9 January 2015	RMB1,000,000	53%	Investment holding
上海錫浦投資有限公司 ("Xipu Investment")	2	PRC/ 15 May 2015	RMB1,000,000	100%	Investment holding
五洲國際（樂清）電工電氣城有限公司 ("Leqing Electric")	2	PRC/ 15 May 2015	RMB1,000,000	100%	Property development
漳洲五洲國際商貿城有限公司 ("Zhangzhou Wuzhou International")	2	PRC/ 10 July 2015	RMB130,000,000	100%	Property development
無錫五洲國際商業顧問有限公司 ("Wuzhou Commerce Consulting")	2	PRC/ 6 June 2015	RMB500,000	85%	Marketing and planning of property development
香港五洲國際商貿有限公司 ("Hongkong Wuzhou Trading")	1	Hong Kong/ 9 July 2015	HK$1	100%	Trading
五洲國際香港物流有限公司 ("Wuzhou Hongkong Logistics")	1	Hong Kong/ 9 July 2015	HK$1	100%	Investment holding
香港五洲國際商貿物流有限公司 ("Hongkong Trading & Logistics")	1	Hong Kong/ 9 July 2015	HK$1	100%	Investment holding

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1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
赤水五洲同泰置業有限公司 ("Chishui Wuzhou Tongtai Properties")	2	PRC/ 26 October 2015	RMB2,000,000	51%	Property development
龍口居然之家家居有限公司 ("Long Kou Juran Home Furniture Co., Ltd.")	2	PRC/ 18 June 2015	RMB3,000,000	95%	Property management
漳州五洲國際商業運營有限公司 ("Zhangzhou Wuzhou Business Operation")	2	PRC/ 25 October 2015	RMB1,000,000	100%	Property management
樂清市五洲國際商業管理有限公司 ("Leqing Wuzhou Commercial Management")	2	PRC/ 28 September 2015	RMB1,000,000	100%	Property management
洛陽佳卓電子商務產業園有限公司 ("Luoyang Jiazhuo Electronic Commercial Industry Park")	2	PRC/ 14 March,2016	RMB10,000,000	100%	E-Commercial industry park
重慶市永川區五洲中合商貿物流有限公司 ("Yongchuan Wuzhou Zhonghe Logisitics Trade")	2	PRC/ 17 February 2016	RMB50,000,000	66%	Logistics Trading
宜興龍祥商業管理有限公司 ("Yixing Longxiang Commercial Management")	2	PRC/ 21 July 2016	RMB1,000,000	100%	Property Longxiang management
浙江紅貝投資有限公司 ("Zhejiang Hongbei investment ")	2	PRC/ 10 July 2012	RMB58,000,000	51%	Property development

Note 1 Registered as wholly-foreign-owned entities under PRC law.

Note 2 Registered as limited liability companies under PRC law.

* Formerly known as 無錫五洲國際商業地產策劃有限公司 ("International Marketing Development")

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2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, (which include all standards and interpretations approved by the IASB, and International Accounting Standards ("IASs"), Standing Interpretations Committee interpretations) approved by the IASB that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of the above revised standards has had no significant financial effect on the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

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2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40.

The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

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2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/ a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful life and the annual depreciation rate are as follows:

	Estimated useful life	Annual depreciation rate
Buildings	40 years	2.38%
Plant and machinery	3 –10 years	9.50% to 31.67%
Motor vehicles	4–5 years	19.00% to 23.75%
Office equipment	3–5 years	19.00% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Senior notes and corporate bonds

Senior notes and corporate bonds issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes and corporate bonds are carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes and corporate bonds are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the periods of the senior notes and corporate bonds using the effective interest method.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

For the Group, revenue from sale of completed properties is recognised upon the signing of property handover letter, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Commissions from concessionaire sales are recognised upon the sale of goods by the relevant stores.

Service income from commercial management services and other activities are recognised when the services are rendered and the inflow of economic benefit is probable.

Dividend income is recognised when the shareholder's right to receive payment has been established.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a pre-IPO share awards scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which are the functional currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Transfer to or from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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, are described below.

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimate of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2016 was RMB8,522,900,000 (31 December 2015: RMB7,939,100,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2016, no impairment losses have been recognised for available-for-sale assets (2015: Nil). The carrying amount of available-for-sale financial assets was RMB517,175,000 (2015: Nil).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment in accordance with the accounting policy as disclosed in the relevant part of this section when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property management and investment segment engages in providing commercial management services, property management services, property consulting services and investing in properties for their rental income potential and/or for capital appreciation; and

(c) the "others" segment engages in lending to customers, department store operation and providing consulting services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs, dividend income and share of income or losses of associates are excluded from this measurement.

Segment assets exclude an available-for-sale investment and investments in associates as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. OPERATING SEGMENT INFORMATION (continued)

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no sales to a single customer contributed to over 10% of the Group's revenue for the years ended 31 December 2016 and 2015.

Year ended 31 December 2016	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	3,436,475	224,656	172,422	(45,225)	3,788,328
Segment results	576,100	322,814	207,298	45,225	1,151,437
Reconciliation:					
Finance costs					(608,164)
Share of profits and losses of associates					(9,544)
Profit before tax					533,729
Segment assets	13,576,604	9,066,351	251,138	–	22,894,093
Reconciliation:					
Available-for-sale investment					518,125
Investments in associates					57,640
Total assets					23,469,858
Segment liabilities	18,679,409	589,753	50,401	–	19,319,563
Total liabilities					19,319,563
Other segment information					
Depreciation and amortisation	10,907	2,865	6,226	–	19,998
Increase in fair value of investment properties	–	294,698	–	–	294,698

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	3,084,844	179,698	132,751	(64,484)	3,332,809
Segment results	(187,785)	123,157	36,226	64,484	36,082
Reconciliation:					
Finance costs					(369,165)
Share of profits and losses of associates					(11,503)
Loss before tax					(344,586)
Segment assets	12,407,391	8,195,722	367,702	–	20,970,815
Reconciliation:					
Available-for-sale investment					950
Investments in associates					29,997
Total assets					21,001,762
Segment liabilities	16,154,375	644,366	187,138	–	16,985,879
Total liabilities					16,985,879
Other segment information					
Depreciation and amortisation	18,384	2,899	6,058	–	27,341
Increase in fair value of investment properties	–	185,354	–	–	185,354

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5. REVENUE, OTHER INCOME, GAINS AND OTHER EXPENSES

Revenue, represents income from the sale of properties, rental income, commercial management service income, property management service income, property consulting service income and commissions from concessionaire sales during the year, after deduction of allowances for returns and trade discounts.

An analysis of revenue, other income, gains and other expenses is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of properties	3,436,475	3,084,844
Rental income	116,887	73,792
Commercial management service income	101,287	98,713
Property consulting service income	79,854	43,955
Property management service income	5,339	5,709
Commissions from concessionaire sales	3,196	6,750
Others	45,290	19,046
	3,788,328	3,332,809
Other income		
Subsidy income	35,225	59,911
Interest income	38,810	22,425
Others	10,670	7,821
	84,705	92,130
Gains		
Gain on disposal of prepaid land lease payment	4,141	1,743
Gain on disposal of items of property, plant and equipment	1,312	230
Gain on disposal of subsidiaries (note 38)	178,017	–
Gain on acquisition of a subsidiary (note 37)	27,493	–
Gain on acquisition of an associate	9,749	–
Fair value gains, net:		
Derivative instruments at fair value through profit or loss (note 30)	5,544	55,432
	226,256	57,405
	310,961	147,562
Other expenses		
Foreign exchange differences	194,479	136,850
Loss on disposal of items of property, plant and equipment	97	51
Others	32,491	16,867
	227,067	153,768

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6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2016 RMB'000	2015 RMB'000
Cost of properties sold	13, 16	**2,309,594**	2,348,928
Cost of property management service provided		**1,498**	4,624
Cost of property consulting service provided		**19,570**	21,674
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties and commercial management service provided		**65,170**	95,269
Impairment loss recognised for properties under development and completed properties held for sale	15, 16	**30,575**	135,665
Depreciation	12	**17,486**	25,178
Amortisation of intangible assets	17	**1,066**	884
Amortisation of long-term deferred expenses	18	**1,446**	1,279
Auditor's remuneration		**7,089**	6,616
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**166,837**	229,566
Equity-settled share-based payment expenses	35	**(2,361)**	6,789
Pension and social welfare*		**37,089**	51,064
		201,565	287,419

Note:

* At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2015: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings	**459,018**	464,968
Interest on senior notes (note 32)	**291,205**	232,793
Interest on convertible notes (note 30)	**120,656**	101,398
Interest on corporate bonds (note 33)	**48,955**	–
Less: Interest capitalised	**(311,670)**	(429,994)
	608,164	369,165

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8. DIRECTORS' REMUNERATION

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

	Group	
	2016 RMB'000	2015 RMB'000
Fees	**286**	430
Other emoluments:		
Salaries, allowances and benefits in kind	**1,147**	3,168
Performance-related bonuses*	**–**	–
Equity-settled share-based payment expenses	**(787)**	2,902
Pension scheme contributions	**122**	168
	(482)	6,238
	768	6,668

* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

During the year and in prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Dr. Song Ming	**164**	208
Mr. Lo Kwong Shun Wilson	**61**	111
Prof. Shu Guoying	**61**	111
	286	430

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension and social welfare RMB'000	Total remuneration RMB'000
2016						
Executive director:						
Mr. Shu Cecheng	–	46	–	–	18	64
Mr. Shu Ceyuan	–	359	–	(164)	26	221
Ms. Wu Xiaowu	–	300	–	(164)	22	158
Mr. Zhao Lidong	–	400	–	(213)	41	228
	–	1,105	–	(541)	107	671
Non-executive director:						
Mr. Wang Wei	–	–	–	–	–	–
Chief executive and executive director:						
Mr. Shu Cewan	–	42	–	(246)	15	(189)
	–	1,147	–	(787)	122	(482)
2015						
Executive directors:						
Mr. Shu Cecheng	–	46	–	–	18	64
Mr. Shu Ceyuan	–	1,020	–	1,241	31	2,292
Ms. Wu Xiaowu	–	540	–	845	31	1,416
Mr. Zhao Lidong	–	1,520	–	724	74	2,318
	–	3,126	–	2,810	154	6,090
Non-executive director:						
Mr. Wang Wei	–	–	–	–	–	–
Chief executive and executive director:						
Mr. Shu Cewan	–	42	–	92	14	148
	–	3,168	–	2,902	168	6,238

Mr. Zhao Lidong retired as an executive director of the Company with effect from September 2016 upon the expiry of his service contract. Mr. Shu Ceyuan and Ms. Wu Xiaowu resigned as executive directors of the Company in September 2016.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	2,257	3,368
Performance-related bonuses	–	–
Equity-settled share-based payment expenses	(210)	104
Pension and social welfare	21	63
	2,068	3,535

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to RMB1,000,000	2	1
RMB1,000,001 to RMB2,000,000	1	2
	3	3

During the year and in prior years, share options were granted to two non-director and non-chief executive highest paid employees in respect of these services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the year ended 31 December 2016.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax rate of 25%.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

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10. INCOME TAX (continued)

In addition, Wuxi Wuzhou Ornament City, Wuxi Zhongnan, Wuxi Longan and Dali Wuzhou were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "Wuxi Tax Circular No. (2009) 46" and "No. 1 (2010) Announcement of Dali tax bureau".

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC corporate income tax	157,341	42,809
PRC LAT	173,552	94,127
Deferred tax (note 21)	93,705	79,862
Total tax charge for the year	424,598	216,798

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2016 RMB'000	2015 RMB'000
Profit/(loss) before tax from continuing operations	533,729	(344,586)
Tax at the statutory tax rate	133,432	(86,146)
Expenses not deductible for tax	169,245	149,392
Utilisation of tax loss previously not recognised	(7,156)	(745)
Tax loss not recognised	31,972	119,260
Profits and losses attributable to associates	2,386	2,876
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	–	(38,434)
Provision for LAT	173,552	94,127
Tax effect on LAT	(43,388)	(23,532)
Gain on acquisition	(9,311)	–
Gain on disposal of subsidiaries not subject to tax	(26,134)	–
Tax charge at the Group's effective rate	424,598	216,798

Tax payable in the consolidated statement of financial position represents:

	31 December 2016 RMB'000	31 December 2015 RMB'000
PRC corporate income tax payable	468,657	367,634
PRC LAT payable	445,477	365,648
Total tax payable	914,134	733,282

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11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,990,259,914 (2015: 4,840,201,081) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable (see below). No adjustment has been made to the basic earnings/(loss) per share amounts presented for the year ended 31 December 2016 and 2015 in respect of a dilution as the impact of the convertible notes had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2016 RMB'000	2015 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	100,573	(481,742)
Interest on convertible notes	–	–
Less: Fair value gain on the derivative component of the convertible notes	–	–
Profit/(loss) attributable to ordinary equity holders of the parent before interest on convertible notes	100,573	(481,742)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	4,990,259,914	4,840,201,081
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	–
Convertible notes	–	–
	4,990,259,914	4,840,201,081

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	257,403	666	72,039	41,402	2,866	374,376
Accumulated depreciation	(27,061)	(268)	(57,016)	(29,561)	–	(113,906)
Net carrying amount	230,342	398	15,023	11,841	2,866	260,470
At 1 January 2016, net of accumulated depreciation	230,342	398	15,023	11,841	2,866	260,470
Additions	8,255	33	366	1,227	(362)	9,519
Additions due to acquisition of a new subsidiary (note 37)	–	–	–	353	–	353
Disposals	–	–	(500)	(141)	–	(641)
Disposals of subsidiaries (note 38)	–	(17)	(336)	(394)	–	(747)
Depreciation provided during the year	(7,337)	(75)	(4,574)	(5,500)	–	(17,486)
At 31 December 2016, net of accumulated depreciation	231,260	339	9,979	7,386	2,504	251,468
At 31 December 2016:						
Cost	265,658	682	65,544	40,822	2,504	375,210
Accumulated depreciation	(34,398)	(343)	(55,565)	(33,436)	–	(123,742)
Net carrying amount	231,260	339	9,979	7,386	2,504	251,468

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 1 January 2015:						
Cost	249,602	666	70,117	40,707	–	361,092
Accumulated depreciation	(19,619)	(183)	(47,358)	(23,065)	–	(90,225)
Net carrying amount	229,983	483	22,759	17,642	–	270,867
At 1 January 2015, net of accumulated depreciation	229,983	483	22,759	17,642	–	270,867
Additions	–	–	2,876	1,723	2,866	7,465
Transferred from properties under development (note 15)	7,801	–	–	–	–	7,801
Disposals	–	–	(286)	(199)	–	(485)
Depreciation provided during the year	(7,442)	(85)	(10,326)	(7,325)	–	(25,178)
At 31 December 2015, net of accumulated depreciation	230,342	398	15,023	11,841	2,866	260,470
At 31 December 2015:						
Cost	257,403	666	72,039	41,402	2,866	374,376
Accumulated depreciation	(27,061)	(268)	(57,016)	(29,561)	–	(113,906)
Net carrying amount	230,342	398	15,023	11,841	2,866	260,470

At 31 December 2016, certain of the Group's buildings with a net carrying amount of approximately RMB195,987,000 (31 December 2015: RMB118,695,000) were pledged to secure general banking facilities granted to the Group (note 29).

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13. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2015	5,772,500	1,164,100	6,936,600
Additions	–	416,867	416,867
Transferred from investment properties under construction	149,959	(149,959)	–
Transferred from properties held for sale (note 16)	79,531	–	79,531
Transferred from properties under development (note 15)	44,984	307,122	352,106
Transferred to cost of properties sold (note 6)	(31,358)	–	(31,358)
Increase in fair value of investment properties	(22,816)	208,170	185,354
Carrying amount at 31 December 2015 and 1 January 2016	**5,992,800**	**1,946,300**	**7,939,100**
Additions	**–**	**192,632**	**192,632**
Transferred from investment properties under construction	**301,754**	**(301,754)**	**–**
Transferred from properties under development (note 15)	**33,301**	**86,243**	**119,544**
Transferred to cost of properties sold (note 6)	**(23,074)**	**–**	**(23,074)**
Increase in fair value of investment properties	**105,024**	**189,674**	**294,698**
Carrying amount at 31 December 2016	**6,409,805**	**2,113,095**	**8,522,900**

The Group's investment properties were revalued on 31 December 2016 and 2015 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market value, based on capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The investment properties are leased to third parties under operating leases, further details of which are included in note 40 to the financial statements.

At 31 December 2016, the Group's investment properties with a carrying value of RMB5,449,379,000 (2015: RMB5,361,586,000) were pledged to secure general banking facilities granted to the Group (note 29).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for:	Fair value measurement as at 31 December 2016 using: Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Completed commercial properties	**–**	**–**	**6,409,805**	**6,409,805**
Commercial properties under construction	**–**	**–**	**2,113,095**	**2,113,095**
	–	**–**	**8,522,900**	**8,522,900**

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13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Commercial Property under construction RMB'000
Carrying amount at 1 January 2015	5,772,500	1,164,100
Additions	–	416,867
Transferred from investment properties under construction	149,959	(149,959)
Transferred from properties held for sale (note 16)	79,531	–
Transferred from properties under development (note 15)	44,984	307,122
Transferred to cost of properties sold (note 6)	(31,358)	–
Net gain from a fair value adjustment recognised in profit or loss	(22,816)	208,170
Carrying amount at 31 December 2015 and 1 January 2016	**5,992,800**	**1,946,300**
Additions	**–**	**192,632**
Transferred from investment properties under construction	**301,754**	**(301,754)**
Transferred from properties under development (note 15)	**33,301**	**86,243**
Transferred to cost of properties sold (note 6)	**(23,074)**	**–**
Net gain from a fair value adjustment recognised in profit or loss	**105,024**	**189,674**
Carrying amount at 31 December 2016	**6,409,805**	**2,113,095**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2016	2015
Commercial properties	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	**21 to 270**	21 to 262
		Discount rate	**4.28%**	4.26%
Commercial properties under construction	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	**24 to 74**	23 to 77
		Discount rate	**4.92%**	4.93%

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

A significant increase/(decrease) in the estimated rental value per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

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14. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	1,222,788	1,083,543
Additions during the year (note 37)	307,193	599,300
Transferred to properties under development during the year	(121,002)	(454,148)
Disposal of subsidiaries (note 38)	(102,153)	–
Disposal of prepaid land lease payments	(22,730)	(5,907)
Carrying amount at 31 December	1,284,096	1,222,788
Less: Current portion	523,011	1,222,788
Non-current portion	761,085	–

The prepaid land lease payments for land use rights are held under medium term leases and the parcels of land are situated in Mainland China.

At 31 December 2016, the Group's prepaid land lease payments with an aggregate carrying amount of approximately RMB173,259,000 (2015: RMB137,634,000) were pledged to secure general banking facilities granted to the Group (note 29).

15. PROPERTIES UNDER DEVELOPMENT

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	4,705,991	4,120,082
Acquisition of a subsidiary	5,296	–
Additions during the year	2,231,981	2,260,893
Transferred from prepaid land lease payments	121,002	454,148
Disposal of subsidiaries (note 38)	(431,208)	–
Transferred to completed properties held for sale (note 16)	(2,982,392)	(1,721,055)
Transferred to investment properties (note 13)	(119,544)	(352,106)
Transferred to property, plant and equipment (note 12)	–	(7,801)
Impairment loss recognised (note 6)	(11,970)	(48,170)
Carrying amount at 31 December	3,519,156	4,705,991

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15. PROPERTIES UNDER DEVELOPMENT (continued)

The carrying values of properties under development situated on leasehold land in Mainland China are as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Medium term leases	3,519,156	4,705,991

At 31 December 2016, the Group's properties under development with an aggregate carrying amount of approximately RMB979,289,000 (2015: RMB1,162,669,000) were pledged to secure general banking facilities granted to the Group (note 29), and RMB57,010,000 (2015: nil) were frozen for a lawsuit in which a subsidiary of the Group is currently a defendant.

The movements in provision for impairment of completed properties held for sale are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	48,170	–
Impairment loss recognised (note 6)	11,970	48,170
Transferred to completed properties held for sale (note 16)	(6,506)	–
Disposal of subsidiaries (note 38)	(16,951)	–
Carrying amount at 31 December	36,683	48,170

16. COMPLETED PROPERTIES HELD FOR SALE

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	3,053,952	3,817,493
Transferred from properties under development (note 15)	2,982,392	1,721,055
Disposal of subsidiaries (note 38)	(198,420)	–
Transferred to investment properties (note 13)	–	(79,531)
Transferred to cost of properties sold (note 6)	(2,286,520)	(2,317,570)
Impairment loss recognised (note 6)	(18,605)	(87,495)
Carrying amount at 31 December	3,532,799	3,053,952

At 31 December 2016, the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB857,111,000 (2015: RMB1,034,493,000) were pledged to secure general banking facilities granted to the Group (note 29).

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16. COMPLETED PROPERTIES HELD FOR SALE (continued)

The movements in provision for impairment of completed properties held for sale are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	97,255	13,917
Impairment loss recognised (note 6)	18,605	87,495
Transferred from properties under development (note 15)	6,506	–
Disposal of subsidiaries (note 38)	(4,146)	–
Transferred to cost of properties sold	(38,257)	(4,157)
Carrying amount at 31 December	79,963	97,255

17. OTHER INTANGIBLE ASSETS

	2016 RMB'000	2015 RMB'000
Software		
At 1 January		
Cost	8,253	7,394
Accumulated amortisation	(4,339)	(3,455)
Net carrying amount	3,914	3,939
Cost at 1 January, net of accumulated amortisation	3,914	3,939
Additions	89	859
Disposals of subsidiaries (note 38)	(62)	–
Amortisation provided during the year	(1,066)	(884)
At 31 December, net of accumulated amortisation	2,875	3,914
At 31 December		
Cost	8,219	8,253
Accumulated amortisation	(5,344)	(4,339)
Net carrying amount	2,875	3,914

18. LONG-TERM DEFERRED EXPENSES

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	2,416	2,351
Additions	144	1,344
Amortisation provided during the year	(1,446)	(1,279)
Carrying amount at 31 December	1,114	2,416

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19. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Share of net assets	57,640	29,997

(a) Particulars of the associates are as follows:

Name	Place and year of Incorporation/ establishment	Paid-in capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
Wuxi Bonan Property Co., Ltd. *	Wuxi, PRC 2009	135,000	20.00%	Property development
Wuxi Longhe Property Co., Ltd. *	Wuxi, PRC 2009	50,000	25.00%	Property development
Wuxi Wuzhou Xiangjiang Housing Co., Ltd. *	Wuxi, PRC 2013	10,000	49.00%	Property management
Fushun Zhonghe Market development Co., Ltd. *	Fushun, PRC 2013	115,347	49.50%	Property development

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the associates' loss for the year	(9,544)	(12,403)
Share of the associates' total comprehensive income	(9,544)	(12,403)
Aggregate carrying amount of the Group's investments in the associates	57,640	29,997

The associates have been accounted for using the equity method in these financial statements.

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20. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unlisted equity investment, at cost	950	950
Trust fund investments, at fair value	517,175	–
	518,125	950
Less: Current portion	246,275	–
Non-current portion	271,850	950

The unlisted equity investment as at 31 December 2016 represents by an equity investment in Wuxi Zhouhui Development Co., Ltd. ("Wuxi Zhouhui", an unlisted company with a registered capital of RMB10,000,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the directors, the fair value of the investment cannot be measured reliably. The Group does not intend to dispose of it in the near future.

The movements of trust fund investments are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	–	–
Additions	520,000	–
Net losses recognised in comprehensive income	(2,825)	–
Carrying amount at 31 December	517,175	–
Less: Current portion	246,275	–
Non-current portion	270,900	–

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21. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	Unrealised revenue received in advance RMB'000	Payroll and welfare accrual RMB'000	Accrued cost, LAT and expenses RMB'000	Unrealised subsidy income received RMB'000	Allowance for asset impairment RMB'000	Fair value adjustment descending from available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2015	108,568	47,354	1,946	158,537	190,456	2,850	–	509,711
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(52,865)	6,817	(821)	(55,900)	(39,849)	15,300	–	(127,318)
At 31 December 2015 and 1 January 2016	55,703	54,171	1,125	102,637	150,607	18,150	–	382,393
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(41,119)	4,311	(64)	13,580	(301)	618	–	(22,975)
Deferred tax charged to equity	–	–	–	–	–	–	454	454
Disposal of subsidiaries (note 38)	–	–	–	(762)	–	–	–	(762)
Due to acquisition of a new subsidiary (note 37)	883	–	–	438	–	–	–	1,321
At 31 December 2016	15,467	58,482	1,061	115,893	150,306	18,768	454	360,431

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21. DEFERRED TAX (continued)

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

Deferred tax liabilities

	Fair value adjustment arising from investment properties RMB'000	Fair value adjustment on acquisition date of subsidiaries RMB'000	Gain on business combination RMB'000	Withholding taxes on undistributed profit of the subsidiaries in the PRC RMB'000	Fair value adjustment arising from available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2015	599,368	16,763	18,760	38,434	–	673,325
Deferred tax credited to the statement of profit or loss during the year (note 10)	(8,026)	(996)	–	(38,434)	–	(47,456)
At 31 December 2015 and 1 January 2016	591,342	15,767	18,760	–	–	625,869
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	71,338	(608)	–	–	–	70,730
Deferred tax charged to equity (note 38)	–	–	–	–	231	231
At 31 December 2016	662,680	15,159	18,760	–	231	696,830

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21. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	187,196	212,855
Net deferred tax liabilities recognised in the consolidated statement of financial position	(523,595)	(456,331)
	(336,399)	(243,476)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to 錫惠國稅通（2013）No.7 tax circular dated 12 December 2013, the tax authority assessed that Wuxi Wuzhou Ornament City (the "WOFE") qualified the article 10.2 of the arrangement between Mainland China and the Hong Kong Special Administrative Region for the avoidance of double taxation on income (the "Arrangement") and the requirement stipulated in 國税函 2009 No. 601. Therefore, dividends declared to the Hong Kong holding company from its PRC subsidiaries are entitled to a lower withholding tax rate of 5% upon approval.

At 31 December 2016, no deferred tax has been recognised for withholding taxes (31 December 2015: Nil) that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future.

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22. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	46,451	25,738
Impairment	–	–
	46,451	25,738

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables receivable approximate to their fair values.

An aged analysis of the trade receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	25,904	19,883
4 to 6 months	20,253	5,855
6 to 12 months	189	–
1 to 2 years	105	–
	46,451	25,738

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	46,157	25,738
Past due but not impaired	294	–
	46,451	25,738

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments for construction cost	59,871	66,958
Prepayments for acquisition of land use rights	125,800	100,000
Tax recoverable	125,805	156,104
Deposits	1,162,799	326,225
Other receivables	217,323	213,991
	1,691,598	863,278

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	3,760,813	2,551,508
Less: Restricted cash	92,470	154,210
Pledged deposits	1,982,599	1,391,220
of which, pledged for interest-bearing bank loans (note 29)	1,746,848	964,441
pledged for issuance of bank acceptance notes (note 25)	86,841	262,376
pledged for a lawsuit as frozen assets (note 15)	659	–
pledged for mortgage loans of purchasers	148,910	164,406
	1,685,744	1,006,078

Pursuant to relevant regulations in PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use. As at 31 December 2016, this restricted cash amounted to RMB92,470,000 (2015: RMB154,210,000).

As at 31 December 2016, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

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25. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**2,472,956**	3,488,580
Over 1 year	**691,507**	188,598
	3,164,463	3,677,178

Certain of the Group's bill payables are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Pledged deposits	**86,841**	262,376

The trade and bills payables other than mentioned above, are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade and bills payables by the end of the reporting period approximate to their corresponding carrying amounts due to their relatively short maturity terms.

26. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Deposits related to sales of properties	**309,633**	289,597
Advances from third parties	**187,050**	180,393
Advances from non-controlling shareholders of subsidiaries	**185,704**	125,544
Deposits related to construction	**135,537**	147,812
Taxes and surcharges	**101,956**	27,596
Rental deposits	**79,497**	80,677
Maintenance fund	**71,485**	67,910
Accruals	**46,391**	55,771
Rental collection on behalf of third parties	**39,818**	32,887
Payroll and welfare payable	**18,576**	22,315
Others	**3,630**	6,226
	1,179,277	1,036,728

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

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27. ADVANCES FROM CUSTOMERS

Advances from customers represents the sales proceeds received from buyers in connection with the Group's pre-sale of properties by the end of the reporting period and the commercial management service fee received from lessees.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Embedded derivatives in convertible notes (note 30)	23,728	29,272

The derivative financial liabilities are reported at their fair values.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	1.45–8.90	2017	2,014,984	1.45–8.00	2016	322,149
Other loans – secured	9.00–15.00	2017	245,400	5.22–13.50	2016	936,010
Current portion of long term bank loans – secured	5.39–11.80	2017	774,320	5.00–11.00	2016	718,700
Current portion of long term other loans – secured	8.80–12.50	2017	460,000	9.76–13.00	2016	816,880
			3,494,704			2,793,739
Non-current						
Bank loans – secured	5.00 –11.80	2024	1,475,514	2.71–11.00	2024	1,945,691
Trust financing – secured	9.00 –14.50	2019	810,000	10.70–12.20	2017	220,000
			2,285,514			2,165,691
			5,780,218			4,959,430

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's borrowings are denominated in RMB and USD.

	2016 RMB'000	2015 RMB'000
Analysed into:		
Repayable within one year	**3,494,704**	2,793,739
Repayable in the second year	**1,304,939**	930,000
Repayable in the third to fifth years	**758,075**	853,116
Repayable over five years	**222,500**	382,575
Subtotal	**2,285,514**	2,165,691
	5,780,218	4,959,430

The Group's bank loans are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Property, plant and equipment (note 12)	**195,987**	118,695
Investment properties (note 13)	**5,449,379**	5,361,586
Prepaid land lease payments (note 14)	**173,259**	137,634
Properties under development (note 15)	**979,289**	1,162,669
Completed properties held for sale (note 16)	**857,111**	1,034,493
Pledged deposits (note 24)	**1,746,848**	964,441

On top of the pledges mentioned above, the Shu Brothers have guaranteed certain of the Group's bank loans up to RMB1,675,159,000 (2015: RMB725,316,000) as at the end of the reporting period. As at 31 December 2015, the Shu Brothers pledged certain properties for certain of the Group's bank loans up to RMB80,000,000, which expired during the year ended 31 December 2016.

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30. CONVERTIBLE NOTES

The carrying values of the host debt components of the convertible notes as at the end of the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Convertible Notes – Tranche 1 ("Tranche 1") – host debt	**337,491**	281,374
Convertible Notes – Tranche 2 ("Tranche 2") – host debt	**347,349**	292,204
	684,840	573,578

Convertible Notes

On 26 September 2014 and 22 October 2014 (the "Issue Date"), the Company issued respectively two tranches of convertible notes ("Tranche 1" and "Tranche 2") maturing on 30 September 2019 (the "Maturity Date"), in the aggregate principal amount of US$50 million of each tranche with an initial conversion price of HK$1.78 per ordinary share of the Company. Pursuant to the indenture, if the accumulated aggregate site area of new industrial logistic projects invested by the Company and certain of its subsidiaries on the day falling 18 months after the first closing date is less than 600 mu, the initial conversion price shall be deemed to be HK$1.49 subject to adjustment in the manner provided in the indenture.

The coupon interest rate is 7% per annum, payable semi-annually in arrears on 30 March and 30 September in each year. The bondholders have the option to convert the Tranche 1 and Tranche 2 to ordinary shares of the Company at any time after the Issue Date to its maturity.

The holder of the convertible notes shall have the right to require the Company to redeem all or some only of such holder's bonds at any time on or after 30 September 2017 at its early redemption amount at such redemption date as specified in the relevant notice of the relevant holder together with interest accrued and unpaid to the redemption date.

Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the convertible notes at approximately 137.48% of its principal amount on the Maturity Date.

During the year ended 31 December 2016, no convertible notes were converted into shares of the Company.

Since the conversion options embedded in the Tranche 1 and Tranche 2 don't meet the definition of equity instruments of the Company, Tranche 1 and Tranche 2, in their entirety, are accounted for as financial liabilities and are separated into the host debt component and embedded derivative component. The embedded derivatives are accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivate component, net of transaction costs allocated to the host debt component, and are subsequently measured at amortised cost.

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30. CONVERTIBLE NOTES (continued)

The various components of the respective convertible notes recognised on initial recognition are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000
Gross proceeds from issuance of convertible notes	307,540	306,765
Transaction costs attributable to the host debt component	(3,522)	(2,496)
Separated embedded derivatives component	(76,569)	(62,969)
Host debt component on initial recognition upon issuance	227,449	241,300

The movements in the host component are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000	Total RMB'000
Host debt component at 1 January 2015	238,285	249,489	487,774
Interest expense (note 7)	51,228	50,170	101,398
Interest paid	(22,127)	(22,128)	(44,255)
Exchange realignment	13,988	14,673	28,661
Host debt component at 31 December 2015 and 1 January 2016	281,374	292,204	573,578
Interest expense (note 7)	61,185	59,471	120,656
Interests paid	(23,130)	(23,129)	(46,259)
Exchange realignment	18,062	18,803	36,865
Host debt component at 31 December 2016	337,491	347,349	684,840
Less: amount classified as current liabilities	337,491	347,349	684,840
Amount classified as non-current liabilities	–	–	–

Interest expenses on the Tranche 1 and Tranche 2 are calculated using the effective interest method by applying the effective interest rates of 20.19% and 18.93% to the host debt component, respectively.

Separated embedded derivatives of the convertible notes

The fair values of the separated embedded derivatives of the convertible notes on initial recognition are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000	Total RMB'000
Initial recognition upon issuance of bonds	76,569	62,969	139,538

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30. CONVERTIBLE NOTES (continued)

Separated embedded derivatives of the convertible notes (continued)

The fair value movements in the derivative financial liabilities embedded in the Tranche 1 and Tranche 2 for the years ended 31 December 2016 are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000	Total RMB'000
Embedded derivative component at 1 January 2015	42,352	42,352	84,704
Fair value gain recognised in profit or loss (note 5)	(27,716)	(27,716)	(55,432)
Embedded derivative component at 31 December 2015 and 1 January 2016	14,636	14,636	29,272
Fair value gain recognised in profit or loss (note 5)	(2,772)	(2,772)	(5,544)
Embedded derivative component a 31 December 2016	11,864	11,864	23,728

Those multiple embedded derivatives (holders' put options, issuer's call options and holders' conversion options etc., that are not independent of each other) in a single instrument that are not closely related to the host contract are treated as a single compound embedded derivative. They are presented as derivative financial liabilities (see note 28).

During the year ended 31 December 2016, the fair value of the derivative financial instruments was determined by DTZ Holdings plc. using generally accepted valuation methodologies, including, but not limited to, a binominal option pricing model.

31. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000
Issued and fully paid: 4,990,259,914 (2015: 4,990,259,914) ordinary shares of USD$0.01 each	313,354	313,354

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2015	4,658,145,914	293,026	950,569	1,243,595
Placement of new shares	327,464,000	20,043	343,025	363,068
Exercise of share options	4,650,000	285	5,416	5,701
At 31 December 2015, 1 January 2016 and 31 December 2016	4,990,259,914	313,354	1,299,010	1,612,364

There was no movement in share capital during the year ended 31 December 2016.

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31. SHARE CAPITAL (continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

32. SENIOR NOTES

The Group has following senior notes remain in issue at the end of the reporting period:

a) On 26 September 2013, the Company issued senior notes in an aggregate principal amount of US$100,000,000 (the "2013 Notes"). The 2013 Notes are listed on the Stock Exchange of Hong Kong Limited. The 2013 Notes carry interest at the rate of 13.75% per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier.

Period	Redemption price
2016	106.8750%
2017	103.4375%

At any time and from time to time prior to 26 September 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2013 Notes with proceeds from one or more sales of certain kinds of its capital stock at a redemption price of 113.75% of the principal amount of the 2013 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

b) On 16 January 2014, the Company issued senior notes in an aggregate principal amount of US$100,000,000 (the "2014 Notes"). The additional senior notes are listed on the Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited. The 2014 Notes have the same terms and conditions as those of the 2013 Notes, save for the issue date and purchase price.

c) On 6 July 2015, the Company issued additional senior notes in an aggregate principal amount of US$100,000,000 (the "2015 Notes"). The additional senior notes are listed on the Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited. The 2015 Notes have the same terms and conditions as those of the 2013 Notes, save for the issue date and purchase price.

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

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32. SENIOR NOTES (continued)

The 2013 Notes, 2014 Notes and 2015 Notes recognised in the statement of financial position were calculated as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**1,976,608**	1,234,302
Additions	**–**	618,973
Exchange realignment	**131,235**	108,618
Interest expenses (note 7)	**291,205**	232,793
Coupon paid	**(272,599)**	(218,078)
Carrying amount at 31 December	**2,126,449**	1,976,608

33. CORPORATE BONDS

On 19 August 2016, Wuxi Wuzhou Ornament City, an indirectly wholly-owned subsidiary of the Company, issued a non-public corporate bond of RMB500,000,000 for a term of three years with an annual coupon rate of 6.90% ("the first tranche Corporate Bonds"). At the end of the first and the second year subsequent to the inception date, Wuxi Wuzhou Ornament City as the issuer is entitled to adjust interest rate and the holders of the first tranche Corporate Bonds may at their options ("Options") sell back the bonds to Wuxi Wuzhou Ornament City in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the sold-back date.

On 19 September 2016, Wuxi Wuzhou Ornament City, issued a non-public corporate bond of RMB1,500,000,000 for a term of three years with an annual coupon rate of 7.40% ("the second tranche Corporate Bonds"). At the end of the second year subsequent to the inception date, Wuxi Wuzhou Ornament City as the issuer is entitled to adjust interest rate and the holders of the second tranche Corporate Bonds may at their options ("Options") sell back the bonds to Wuxi Wuzhou Ornament City in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the sold-back date.

In the opinion of directors the fair value of the Options are insignificant at initial recognition and as at 31 December 2016.

The first tranche Corporate Bonds and the second tranche Corporate Bonds recognised in the statement of financial position were calculated as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**–**	–
Additions	**1,974,865**	–
Interest expenses (note 7)	**48,955**	–
Coupon paid	**–**	–
Carrying amount at 31 December	**2,023,820**	–
Less: Current portion	**508,689**	–
Non-current portion	**1,515,131**	–

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34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO share award scheme

Pursuant to the board resolution dated 30 September 2012, the Group established a pre-IPO share award scheme (the "Share Award Scheme"). Under the Share Award Scheme, the Shu Brothers, the Controlling Shareholders and directors of the Group, transferred 1% of the Company's shares (representing 34,221,619 shares, the "Awarded Shares") held by them through Boom Win to seven employees of the Group. The share transfer was completed on 12 October 2012. The objective of the Share Award Scheme is to recognise the contributions of certain employees of the Group and providing incentives.

The Awarded Shares, subject to a vesting period, are being held by the trust on behalf of the grantees. The vesting period is five years, from the beginning of each instalment, during which 24%, 24%, 24%, 14% and 14% of the Award Shares granted to employee will vest on each of the five anniversaries of the first vesting date. The first vesting date is 1 January of the year following the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The fair value of the Awarded Shares granted under the Share Award Scheme on 30 September 2012 was RMB14,246,971, which was determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, using the income approach. The significant input into the approach was estimated fair value of shares at the grant date. The consideration of the above 1% equity interest of the Company is RMB8,411,805.

The Awarded Shares are contingent at grant date and are subject to the cancellation in the event of resignation of the grantee; and the vesting conditions of the shares successfully listed on the Stock Exchange of Hong Kong Limited and satisfactory performance of such employee based on his or her annual performance appraisal. During the year ended 31 December 2016, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to RMB783,000 (2015: RMB1,046,000).

(b) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

Pursuant to the board resolution dated 24 September 2013, the Company has granted share options under the Scheme adopted on 27 May 2013 to certain directors (including independent non-executive directors) and the employees of the Company and its subsidiaries (the "Grantees") which, subject to the acceptance of the share option by the Grantees, will enable the Grantees to subscribe for an aggregate of 93,119,611 new shares of US$0.01 each (the "Shares") in the share capital of the Company, representing approximately 2% of the issued share capital of the Company.

The grant of share options to each of the above directors and/or substantial shareholder and chief financial officer of the Company has been approved by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company are subject to shareholders' approval in advance in a general meeting.

The share options are exercisable during the following periods:

(i) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 12 months from the date of grant and ending on the expiry date of the option period and after the Grantee has satisfied the vesting conditions specified by the Board;

(ii) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 24 months from the date of grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and

(iii) up to 40% of the share options granted to each Grantee at any time after the expiration of 36 months from the date of grant and ending on the expiry date of the option period and after the Grantee has satisfied the vesting conditions specified by the Board.

The exercise price of share options is HK$1.27 per share, representing the highest of

(i) the closing price of HK$1.27 per Share as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;

(ii) the average closing price of HK$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

The following share options were outstanding under the Scheme during the year:

	2016 Weighted average exercise price HK$ per share	2016 Number of options '000	2015 Weighted average exercise price HK$ per share	2015 Number of options '000
At 1 January	**1.27**	**51,597**	1.27	68,860
Exercised during the year	**–**	**–**	1.27	(4,650)
Forfeited during the year	**1.27**	**(20,012)**	1.27	(12,613)
At 31 December	**1.27**	**31,585**	1.27	51,597

There is no exercise of share options during the year 2016 (2015: The weighted average share price at the date of exercise for share options exercised was HK$1.27 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of options '000	Exercise price HK$ per share	Exercise period
4,703	**1.27**	**14-9–24 to 17-9–23**
11,521	**1.27**	**15-9–24 to 17-9–23**
15,361	**1.27**	**16-9–24 to 17-9–23**
31,585		

2015

Number of options '000	Exercise price HK$ per share	Exercise period
10,707	1.27	14-9–24 to 17-9–23
17,524	1.27	15-9–24 to 17-9–23
23,366	1.27	16-9–24 to 17-9–23
51,597		

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34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

No shares were granted during 2016 (2015: None). The fair value of the share options granted during 2013 was HK$33,084,001 (HK$0.355 each), of which the Group reversed a share option expense of RMB3,143,741 during the year ended 31 December 2016. (2015: recognised a share option expense of RMB1,783,539).

The fair value of equity-settled share options granted during 2013 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	35.24
Risk-free interest rate (%)	0.9
Expected life of options (year)	4
Weighted average share price (HK$ per share)	1.27

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

No share options (2015: 4,650,000 share options exercised) were exercised during the year 2016.

At the end of the reporting period, the Company had 31,584,578 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 31,584,578 additional ordinary shares of US$0.01 of the Company and additional share capital of RMB2,191,022 and share premium of RMB33,689,934 before issue expenses.

At the date of approval of these financial statements, the Company had 31,584,578 share options outstanding under the Scheme, which represented approximately 0.63% of the Company's shares in issue as at that date.

(c) Mainland China share award scheme

Pursuant to the board resolution dated 29 October 2015, Wuxi Wuzhou Technology Co., Ltd., a subsidiary of the Group incorporated in Mainland China established a share award scheme (the "Mainland China Share Award Scheme"). Under the Mainland China Share Award Scheme, Shanghai AoCe Investment Center LLP Obtained 15% equity shares of Wuxi Wuzhou Technology Co., Ltd. by way of capital increase (representing 4,500,000 shares, the "Awarded Shares") with the consideration of RMB4,500,000. The capital increase was completed on 23 December 2015. Shanghai AoCe Investment Center LLP was held by five employees and the objective of the Mainland China Share Award Scheme is to recognise the contributions of certain employees of the Group and providing incentives.

The fair value of the Awarded Shares with no vesting period granted under the Mainland China Share Award Scheme on 29 October 2015 was RMB8,460,000, which was determined by China Alliance Appraisal Co., Ltd. independent professionally qualified valuers, using the income approach. The significant input into the approach was the estimated fair value of shares at the grant date. Accordingly, the Group recognised an expense of RMB3,960,000 during the year ended 31 December 2015.

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35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

	Capital reserve RMB'000	Share option reserve RMB'000	Statutory Reserve funds RMB'000	Available for-sale investments RMB'000	Total RMB'000
At 1 January 2015	83,527	15,451	292,703	–	391,681
Exercise of share options	–	(1,039)	–	–	(1,039)
Contribution from non-controlling shareholders of subsidiaries	(2,702)	–	–	–	(2,702)
Acquisition of non-controlling interests	776	–	–	–	776
Appropriations to statutory surplus reserve	–	–	29,641	–	29,641
Conversion from reserve funds/ retained profit to capital reserve	14,284	–	(250)	–	14,034
Equity-settled share option arrangements	–	6,789	–	–	6,789
At 31 December 2015 and 1 January 2016	**95,885**	**21,201**	**322,094**	**–**	**439,180**
Changes of fair value in available for-sale investments	**–**	**–**	**–**	**(2,422)**	**(2,422)**
Acquisition of non-controlling interests	**(9,514)**	**–**	**–**	**–**	**(9,514)**
Appropriations to statutory surplus reserve	**–**	**–**	**51,292**	**–**	**51,292**
Equity-settled share option arrangements	**–**	**(2,361)**	**–**	**–**	**(2,361)**
At 31 December 2016	**86,371**	**18,840**	**373,386**	**(2,422)**	**476,175**

Statutory surplus reserve

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit, as determined under the PRC accounting rules and regulations, before dividend distribution. Each subsidiary which is a WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

Each of the non-foreign invested subsidiaries in Mainland China is required to transfer 10% of its profit after taxation, as determined under the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders. The statutory surplus reserve can be used to offset accumulated losses or convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

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36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2016	2015
Percentage of equity interests held by non-controlling interests:		
Wuxi Longan	35.7%	35.7%

	2016 RMB'000	2015 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Wuxi Longan	7,698	(3,296)
Accumulated balances of non-controlling interests at the reporting dates:		
Wuxi Longan	218,472	210,774

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Wuxi Longan	2016 RMB'000	2015 RMB'000
Revenue	31,604	47,675
Fair value gain	28,077	(2,373)
Total expense	(10,040)	(54,531)
Profit or loss for the year	21,564	(9,229)
Current assets	185,020	183,065
Non-current assets	926,631	901,244
Current liabilities	(278,643)	(223,224)
Non-current liabilities	(221,041)	(270,680)
Net cash flows from operating activities	(65,169)	5,017
Net cash flows used in investing activities	(437)	(592)
Net cash flows used in financing activities	(65,105)	(61,825)
Net decrease in cash and cash equivalents	(130,711)	(57,400)

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37. BUSINESS COMBINATION

On 13 December 2016, the Group acquired a 51% equity interest in Zhejiang Hongbei Investment Co., LTD ("Hongbei"), an unlisted company with a registered capital of RMB58,000,000 from Mr. Tang Chunlei. Hongbei is mainly engaged in residential real estate development. The acquisition was made as part of the Group's strategy to develop residential real estate. The purchase consideration is zero as at the acquisition date.

The fair values of the identifiable assets and liabilities of Hongbei as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment (note 12)	353
Deferred tax assets (note 21)	1,321
Properties under development (note 15)	5,296
Prepayments and other receivables	127,985
Cash and bank balances	2,387
Trade and bills payables	(263)
Other payables and accruals	(83,171)
	53,908
Non-controlling interests	(26,415)
Gain on acquisition of a subsidiary (note 5)	(27,493)
Satisfied by cash	–

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired	2,387
Net inflow of cash and cash equivalents Included in cash flows from investing activities	2,387

Since the acquisition, Hongbei contributed no revenue to the Group's revenue and sufferred losses amounted to RMB716,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been Nil and RMB4,847,000, respectively.

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38. DISPOSAL OF SUBSIDIARIES

	2016 RMB'000	2015 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 12)	747	–
Intangible assets (note 17)	62	–
Deferred tax assets (note 21)	762	–
Properties under development (note 15)	431,208	–
Completed properties held for sale (note 16)	198,420	–
Prepaid land lease payments (note 14)	102,153	–
Prepayments, deposits and other receivables	341,026	–
Tax recoverable	13,970	–
Trade receivables	42	–
Restricted cash	297	–
Cash and bank balances	1,168	4,673
Trade and bills payables	(158,679)	–
Other payables and accruals	(634,187)	–
Tax payable	(3,579)	–
	293,410	4,673
Non-controlling interests	(171)	(2,290)
Gain on disposal of subsidiaries (note 5)	178,017	–
Satisfied by cash	471,256	2,383

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries are as follows:

	2016 RMB'000	2015 RMB'000
Cash consideration	471,256	2,383
Cash and bank balances disposed of	(1,168)	(4,673)
Net in/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	470,088	(2,290)

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39. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	**1,235,411**	1,890,812

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material loss during the year 2016 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

40. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties (note 13) under operating lease arrangements with leases negotiated from terms ranging from 1 to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**96,115**	82,232
In the second to fifth years, inclusive	**359,561**	364,444
After five years	**848,508**	901,096
	1,304,184	1,347,772

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40. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	2,621	6,005
In the second to fifth years, inclusive	1,065	3,436
Over five years	114	404
	3,800	9,845

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but no provided for:		
– Acquisition of land use rights	378,200	100,000
– Properties under development	2,672,179	2,914,066
	3,050,379	3,014,066

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42. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
The Shu Brothers	Ultimate controlling shareholders
Boom Win Holding Limited ("Boom Win")	Ultimate holding company
Wuxi Longhe Property Co., Ltd. ("Wuxi Longhe")	Associated company
Wuxi Bonan Property Co., Ltd. ("Wuxi Bonan")	Associated company
Wuxi Wuzhou Xiangjiang housing Co., Ltd. ("Wuxi Xiangjiang")	Associated company
Wuxi Wuzhou Investment Co., Ltd. ("Wuzhou Investment")	Company controlled by the Shu Brothers
Hong Kong Wuzhou International Group Investment Limited ("Wuzhou Int'l Group Investment")	Company controlled by the Shu Brothers
Shenzhen Continent Investment Development Co., Ltd. ("Shenzhen Continent")	Company under significant influence by the Shu Brothers
Ms. Zhu Lijuan	Mr. Shu Cecheng's wife
Ms. Qi Xueqing	Mr. Shu Cewan's wife
Mr. Shu Cezhang	Key management personnel

(2) Related party transactions

The following transactions were carried out with related parties during the year.

		2016 RMB'000	2015 RMB'000
(i)	Advances to a related company:		
	– Wuxi Xiangjiang	**7,274**	5,947
	Recovery of advances to related companies:		
	– Wuxi Xiangjiang	**730**	3,037
	– Wuxi Longhe	**–**	229
	Advances from a related company:		
	– Wuzhou Investment	**20,837**	104,319
	Repayment of advances from a related company:		
	– Wuzhou Investment	**20,837**	104,319
(ii)	Advances to a related party		
	– Mr. Shu Cezhang	**630**	–
	Advances from a related party:		
	– Ms. Qi Xueqing	**–**	800
	Recovery of advances from a related party:		
	– Ms. Qi Xueqing	**–**	800

The Shu Brothers have guaranteed certain of the Group's bank loans up to RMB1,675,159,000 (2015: RMB725,316,000) as at the end of the reporting period, as further detailed in note 29 to the financial statements. As at 31 December 2015, the Shu Brothers pledged certain properties for certain of the Group's bank loans up to RMB80,000,000, which expired during the year ended 31 December 2016.

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42. RELATED PARTY TRANSACTIONS (continued)

(3) Outstanding balances with related parties

	31 December 2016 RMB'000	31 December 2015 RMB'000
Due from a related party:		
– Mr. Shu Cezhang	630	–
Due from a related company:		
– Wuxi Xiangjiang	2,606	–

Balances with the related parties were unsecured and non-interest-bearing and had no repayment terms.

(4) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000
Short term employee benefits	3,970	8,054
Equity-settled share-based payment expenses	(323)	560
Pension scheme contributions and social welfare	231	352
Total compensation paid to key management personnel	3,878	8,966

Further details of directors' emoluments are included in note 8 to the financial statements.

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43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2016

Financial assets	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments (note 20)	–	518,125	518,125
Financial assets included in prepayments, deposits and other receivables (note 23)	217,323	–	217,323
Trade receivables (note 22)	46,451	–	46,451
Due from related companies	2,606	–	2,606
Due from a related party	630	–	630
Restricted cash (note 24)	92,470	–	92,470
Pledged deposits (note 24)	1,982,599	–	1,982,599
Cash and cash equivalents (note 24)	1,685,744	–	1,685,744
	4,027,823	518,125	4,545,948

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (note 25)	–	3,164,463	3,164,463
Financial liabilities included in other payables and accruals (note 26)	–	589,643	589,643
Derivative financial instruments (note 28)	23,728	–	23,728
Convertible notes (note 30)	–	684,840	684,840
Corporate bonds (note 33)	–	2,023,820	2,023,820
Interest-bearing bank loans and other borrowings (note 29)	–	5,780,218	5,780,218
Senior notes (note 32)	–	2,126,449	2,126,449
	23,728	14,369,433	14,393,161

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2015

Financial assets	Loans and receivables RMB'000	Available for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments (note 20)	–	950	950
Financial assets included in prepayments, deposits and other receivables (note 23)	213,991	–	213,991
Trade receivables (note 22)	25,738	–	25,738
Restricted cash (note 24)	154,210	–	154,210
Pledged deposits (note 24)	1,391,220	–	1,391,220
Cash and cash equivalents (note 24)	1,006,078	–	1,006,078
	2,791,237	950	2,792,187

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (note 25)	–	3,677,178	3,677,178
Financial liabilities included in other payables and accruals (note 26)	–	440,556	440,556
Derivative financial instruments (note 28)	29,272	–	29,272
Convertible notes (note 30)	–	573,578	573,578
Interest-bearing bank loans and other borrowings (note 29)	–	4,959,430	4,959,430
Senior notes (note 32)	–	1,976,608	1,976,608
	29,272	11,627,350	11,656,622

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44. FAIR VALUE AND FAIR VALUE HIERARCH OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial Assets				
Available-for-sale investments	**520,000**	–	**517,175**	–
Financial liabilities				
Interest-bearing bank borrowings	**5,780,218**	4,959,430	**5,802,199**	4,987,358
Senior notes	**2,126,449**	1,976,608	**2,133,769**	1,896,417
Corporate bonds	**2,023,820**	–	**1,983,517**	–
Convertible notes	**684,840**	573,578	**688,261**	583,603
	10,615,327	7,509,616	**10,607,746**	7,467,378

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, restricted cash, trade receivables, trade and bills payables, derivative financial instruments, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

44. FAIR VALUE AND FAIR VALUE HIERARCH OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	–	517,175	–	517,175

Liabilities measured at fair value:
As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	23,728	–	23,728

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44. FAIR VALUE AND FAIR VALUE HIERARCH OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	29,272	–	29,272

During the year ended 31 December 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	5,802,199	–	5,802,199
Senior notes	2,133,769	–	–	2,133,769
Corporate bonds	1,983,517	–	–	1,983,517
Convertible notes host contract	–	–	688,261	688,261
	4,117,286	5,802,199	688,261	10,607,746

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	4,987,358	–	4,987,358
Senior notes	1,896,417	–	–	1,896,417
Convertible notes host contract	–	–	583,603	583,603
	1,896,417	4,987,358	583,603	7,467,378

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, trade receivables, and trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, convertible notes, financial instruments at fair value through profit or loss, amounts with related companies and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings set out in note 29 and senior notes set out in note 32. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

On 31 December 2016, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other variables held constant, the profit before tax for the year of the Group would have decreased/increased by approximately RMB8,130,000 (2015: RMB5,898,000).

(b) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the Hong Kong dollar ("HK$") and the US dollar ("US$") exchange rate, with all other variables held constant, of the Group's loss/profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Rate %	Increase/ (decrease) in loss/profit before tax RMB'000
Year ended 31 December 2016		
If HK$ weakens against RMB	**–5%**	**(62)**
If HK$ strengthens against RMB	**+5%**	**62**
If US$ weakens against RMB	**–5%**	**141,956**
If US$ strengthens against RMB	**+5%**	**(141,956)**
Year ended 31 December 2015		
If HK$ weakens against RMB	–5%	(439)
If HK$ strengthens against RMB	+5%	439
If US$ weakens against RMB	–5%	134,045
If US$ strengthens against RMB	+5%	(134,045)

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debts losses during the year 2016.

The credit risk of the Group's other financial assets, which mainly comprise cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings and senior notes. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2016					
Interest-bearing bank loans and other borrowings	–	803,812	3,115,064	2,570,303	6,489,179
Senior notes	–	143,076	143,076	2,367,251	2,653,403
Convertible notes	–	24,280	24,280	1,050,817	1,099,377
Corporate bonds-current	–	–	534,500	–	534,500
Corporate bonds	–	–	111,000	1,611,000	1,722,000
Trade and bills payables	2,867,251	87,580	209,632	–	3,164,463
Other payables	589,643	–	–	–	589,643
	3,456,894	1,058,748	4,137,552	7,599,371	16,252,565

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2015					
Interest-bearing bank loans and other borrowings	–	492,414	2,572,937	2,506,595	5,571,946
Senior notes	–	133,931	133,931	2,483,802	2,751,664
Convertible notes	–	22,728	22,728	1,029,106	1,074,562
Trade and bills payables	3,303,810	176,984	196,384	–	3,677,178
Other payables	440,556	–	–	–	440,556
	3,744,366	826,057	2,925,980	6,019,503	13,515,906

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, senior notes, convertible notes, trade and bills payables, other payables and accruals, advances from customers, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of reporting periods were as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade and bills payables	**3,164,463**	3,677,178
Other payables and accruals	**1,179,277**	1,036,728
Advances from customers	**2,899,039**	3,543,472
Interest-bearing bank and other borrowings	**5,780,218**	4,959,430
Convertible notes	**684,840**	573,578
Senior notes	**2,126,449**	1,976,608
Corporate bonds	**2,023,820**	–
Less: Cash and cash equivalents	**(1,685,744)**	(1,006,078)
Net debt	**16,172,362**	14,760,916
Equity attributable to owners of the parent	**3,644,559**	3,558,283
Total capital and net debt	**19,816,921**	18,319,199
Gearing ratio	**82%**	81%

46. EVENTS AFTER THE REPORTING PERIOD

Wuxi Wuzhou Ornament City, an indirectly wholly-owned subsidiary of the Company has issued 3rd tranche of the corporate bonds of an amount of RMB1 billion for a term of three years, with an annual coupon rate of 7.30%. The issue of the corporate bonds was completed on 11 January 2017.

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47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	741	4,473
Pledged deposits	–	7,182
Prepayments, deposits and other receivables	–	71
Due from subsidiaries	3,608,178	3,884,609
Total current assets	3,608,919	3,896,335
CURRENT LIABILITIES		
Interest-bearing bank and other borrowing	259,902	198,704
Due to subsidiaries	7,405	7,359
Other payables and accruals	2,716	1,909
Derivative financial instruments	23,728	29,272
Convertible notes	684,840	573,578
Total current liabilities	978,591	810,822
NET CURRENT ASSETS	2,630,328	3,085,513
TOTAL ASSETS LESS CURRENT LIABILITIES	2,630,328	3,085,513
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowing	139,700	135,716
Senior notes	2,126,449	1,976,608
Total non-current liabilities	2,266,149	2,112,324
Net assets	364,179	973,189
EQUITY		
Share capital	313,354	313,354
Reserves	50,825	659,835
Total equity	364,179	973,189

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47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2015	950,569	15,451	(209,918)	756,102
Loss and total comprehensive income for the year	–	–	(446,498)	(446,498)
Issuance of new shares	343,025	–	–	343,025
Exercise of share options	5,416	(1,039)	–	4,377
Equity-settled share-based payment arrangements	–	2,829	–	2,829
Balance at 31 December 2015 and January 2016	1,299,010	17,241	(656,416)	659,835
Loss and total comprehensive income for the year	–	–	(606,649)	(606,649)
Equity-settled share-based payment arrangements	–	(2,361)	–	(2,361)
Balance at 31 December 2016	1,299,010	14,880	(1,263,065)	50,825

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2017.

FINANCIAL SUMMARY

Year ended 31 December 2016

RESULTS

	For the year ended 31 December				
	2012 RMB'000 (Note 1)	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016 RMB'000**
Revenue	2,253,240	4,049,567	4,308,085	3,332,809	**3,788,328**
Profit before taxation	1,262,504	1,789,185	842,969	(344,586)	**533,729**
Income tax expense	(508,620)	(668,944)	(449,254)	(216,798)	**(424,598)**
Profit for the year	753,884	1,120,241	393,715	(561,384)	**109,131**
Attributable to					
Owners of the Company	699,711	1,020,036	252,863	(481,742)	**100,573**
Non-controlling interests	54,173	100,205	140,852	(279,642)	**8,558**
	753,884	1,120,241	393,715	(561,384)	**109,131**

ASSETS AND LIABILITIES

	At 31 December				
	2012 RMB'000 (Note 1)	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016 RMB'000**
Total assets	10,433,785	15,421,132	19,372,257	21,001,762	**23,469,858**
Total liabilities	(8,788,670)	(11,437,057)	(15,160,974)	(16,985,879)	**(19,319,563)**
	1,645,115	3,984,075	4,211,283	4,015,883	**4,150,295**
Equity attributable to owners of the Company	1,319,693	3,497,744	3,667,432	3,558,283	**3,644,559**
Non-controlling interests	325,422	486,331	543,851	457,600	**505,736**
	1,645,115	3,984,075	4,211,283	4,015,883	**4,150,295**

Note:

1. The figures for the years ended 31 December 2012 have been extracted from the prospectus of the Company dated 31 May 2013.

MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

1. COMPLETED INVESTMENT PROPERTIES

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
1	Portion of Phase I to Phase IV, Wuxi Wuzhou International Ornament City, No. 668 Shengan West Road, Huishan District, Wuxi, Jiangsu Province	Commercial Apartment	Medium	100,058.46 192.63	100.00%
2	Hall A and Hall C, Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jincheng East Road, New District, Wuxi, Jiangsu Province	Exhibition hall Commercial	Medium	41,818,89 28,374.76	100.00%
3	Portion of Phase I to Phase II, Wuxi Wuzhou International Columbus City, No. 289 Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial Office Underground commercial	Medium	27,358.67 1,071.16 15,352.00	64.30%
4	Portions of Phase I to Phase III, Wuxi Wuzhou International Chinese Food Culture Exposition City, East of the junction of Jianghai Road and Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial Apartment Office Underground commercial	Medium	33,538.77 886.37 7,169.44 3,921.99	62.00%
5	Portion of Meicun Wuzhou International Plaza, No. 8 Xinyou North Road, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	7,930.71 12,984.00	100.00%
6	Portion of Zone A and Zone B2, Wuxi Wuzhou Commercial Investment Limited, Yangjian Town, Wuxi, Jiangsu Province	Commercial Residential	Medium Long	12,464.47 5,040.41	100.00%

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
7	Wuxi New District Columbus Plaza, No. 1 Sujiang Road, New District, Wuxi, Jiangsu Province	Commercial Underground commercial Apartment	Medium	11,545.12 3,198.80 7,794.24	100.00%
8	Yancheng Wuzhou Plaza, No. 28 Yingbin South Road, Tinghu District, Yancheng, Jiangsu Province	Commercial Underground commercial	Medium	14,843.09 9,661.00	100.00%
9	Xuyi Wuzhou International Plaza, No. 2 Dongyang Road, Xuyi County Xucheng Town, Huaian, Jiangsu Province	Commercial Underground commercial	Medium	51,813.66 2,100.00	100.00%
10	Wuxi Luoshe Columbus Plaza, Luozhong Road, Huishan District, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	3,106.54 11,665.13	100.00%
11	Portion of Phase I Lot I, Rongchang Wuzhou Hardware Ornamental City, No. 3 Yingbin Avenue South, Rongchang County, Chongqing	Exhibition hall Exhibition hall underground	Medium	67,297.80 17,616.42	94.00%
12	South Parcel of Land, Nantong Wuzhou International Commercial Trade City, No. 98 Zhongxiu Central Road, Chongchuan District, Nantong, Jiangsu Province	Commercial Underground commercial	Medium	40,467.23 22,134.89	51.00%
13	Hangzhou Wuzhou International Plaza, No. 279 Yuhangtang Road, Xihu District, Hangzhou, Zhejiang Province	Commercial Underground commercial	Medium	9,306.83 13,116.00	100.00%

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
14	Jiangyin Wuzhou International Plaza, No. 3896 Huangtu Town Cheng Road, Jiangyin, Wuxi, Jiangsu Province	Commercial	Medium	33,855.95	90.00%
15	Portion of Phase I Lot II, Baoshan Wuzhou International Plaza, Longyang District, Baoshan, Yunnan Province	Commercial	Medium	26,294.76	61.00%
16	Portion of Phase II, Longkou Wuzhou International, Junction of Nanshan Road and Longquan Road (Muhuang Road), Longkou City, Shandong Province	Commercial	Medium	24,863.00	95.00%
17	Portion of Phase I, Qianzhou Wuzhou International Plaza, No. 777 Huizhou Avenue, Huishan District Qianzhou Street, Wuxi, Jiangsu Province	Commercial	Medium	18,376.75	80.00%
18	Portion of Phase I and II, Junction of Shengtai Avenue and Tianhe Road, Jingyue Development District, Changchun City, Jilin Province	Commercial	Medium	39,950.03	100.00%
19	China Electrics & Electronic Appliance City of Wuzhou International, Land C, No. 198, Chezhan Road, Liushi Town Leqing City, Zhejiang Province	Commercial	Medium	5,510.85	100.00%

2. INVESTMENT PROPERTIES UNDER CONSTRUCTION

No.	Property	Type	Term of land	Status	Percentage of interest of the Company	Expected completion time
1	Portion of Phase II Hall D, Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jinchengdong Road, New District, Wuxi, Jiangsu Province	Exhibition hall	Medium	Under construction	100.00%	June 2017
2	Phase I Exhibition Hall, Dali Wuzhou International Commercial Trade City, Xiaguan Manjiang Area, Dali, Yunnan Province	Exhibition hall	Medium	Under construction	100.00%	June 2017
3	Xuzhou Expressway Port, No. 1-1-22, Shidai Avenue, Quanshan Economic Development Zone, Xuzhou City, Jiangsu Province	Commercial	Medium	Under construction	70.00%	June 2016
4	China Electrics & Electronic Appliance City of Wuzhou International, Land D, No. 198, Chezhan Road, Liushi Town Leqing City, Zhejiang Province	Commercial	Medium	Under construction	100.00%	June 2017
5	Shenyang Wuzhou International Industrial Exhibition City, Daxing Street, Yuhong District, Shenyang City, Liaoning Province	Exhibition hall	Medium	Under construction	100.00%	December 2017
6	Ruian Wuzhou International Commercial Trade City, Junction of New Provincial Highway No. 56 and Ciweisan Road, Ruian City, Zhejiang	Exhibition hall	Medium	Under construction	100.00%	May 2017

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