



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

# ANNUAL REPORT 2015

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





# 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)  
Mr. Shu Ceyuan  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

### 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

CORPORATE INFORMATION

**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





# FINANCIAL HIGHLIGHTS

## Key income statement items

(RMB million)	2015	2014
Revenue	<b>3,333</b>	4,308
<i>Property sales</i>	<b>3,085</b>	4,075
<i>Revenue from property operations<sup>1</sup></i>	<b>248</b>	233
Gross profit	<b>715</b>	1,499
Gross margin	<b>21.5%</b>	34.8%
Profit and total comprehensive income for the year	<b>(561)</b>	394
Profit attributable to owners of the parent	<b>(482)</b>	253
Basic EPS (RMB)	<b>(0.10)</b>	0.05

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 2015	End of 2014
Total assets	<b>21,002</b>	19,372
Total liabilities	<b>16,986</b>	15,161
Total equity	<b>4,016</b>	4,211
Equity attributable to owners of the parent	<b>3,558</b>	3,667
Cash <sup>1</sup>	<b>2,551</b>	1,802
Total debt	<b>7,510</b>	5,431
<i>Long-term debt<sup>2</sup></i>	<b>4,142</b>	3,644
<i>Short-term debt</i>	<b>3,367</b>	1,787
Net gearing <sup>3</sup>	<b>123.5%</b>	86.2%

Notes:

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



# HIGHLIGHTS OF THE YEAR

## 2015

### January

1. Ruian Wuzhou International Trade City Phase I held its opening ceremony
2. Hangzhou Wuzhou International Plaza held its opening ceremony
3. Jiangyin Wuzhou International Plaza held its grand opening
4. The Group entered into a strategic cooperation agreement with Haier Ri Ri Shun, pursuant to which both parties would jointly develop logistics real estate with an aim to establish an integrated merchandising and logistics platform.



### March

5. Mr. Shu Cecheng, chairman of the Board of the Company, and Mr. Shu Cewan, vice chairman and president attended "Boao Forum for Asia 2015".

### April

6. Xuzhou Wuzhou Road-Port Project commenced construction work

### May

7. Wuzhou International successfully hosted its 2015 annual general meeting.

## HIGHLIGHTS OF THE YEAR

## 2015

## June

8. Wuzhou International completed its first placing of shares with total proceeds of HK\$460 million received.
9. Wuzhou International held a ceremony celebrating the 2<sup>nd</sup> anniversary of its listing cum potential quotation of the shares of Wuxi Wuzhouhui Technology Company Limited on the National Equities Exchange and Quotations System (the "NEEQ").
10. Wuzhou International entered into a strategic cooperation agreement with iD Finance and Huaxia Bank for fully operating "chattel financing" platform to provide loans to small enterprises.
11. Luoyang Cross-border E-commerce Industrial Park established at Luoyang Wuzhou International Industrial Exhibition City.
12. Wuzhou International issued additional US\$100 million senior notes due 2018.
13. Wuzhou International succeeded in the bid of the land use right of two parcels of land in Harbin.



## July

14. Wuzhou International secured four commercial use land parcels in Wenzhou to build the largest electrics and electronic appliances city in China.

## HIGHLIGHTS OF THE YEAR

## 2015

## October

- 15. Wuzhou International secured one commercial use land parcel in Xiangcheng District, Zhangzhou City, Fujian Province for developing its first project in Fujian.
- 16. Wuzhou International entered into a strategic cooperation with ffan.com to open ffan.com platforms in 16 shopping centers under Wuzhou International with the objective to start an O2O complex project of Wuzhou International.

## November

- 17. Wuzhou International's Electrics and Electronic Appliances City in Leqing City, China held its grand opening.
- 18. Shenyang Wuzhou International Industrial Exhibition City Phase II marked a grand launch.

## December

- 19. Yantai Wuzhou International Industrial Exhibition City Land C held a opening ceremony.
- 20. Zhangzhou Wuzhou City successfully organized the "2015 Guangdong-Fujian Commerce Industry Development Summit".



# HONOURS AND AWARDS



Ranked the 8th in the "2015 Chinese Top 20 Commercial Real Estate Developer in terms of Overall Strength" and the "Best Business Logistics Development Operator"

Winshang.com, E&H China



The Best Commercial Property Developer 2015

guardian.cn



2015 China Top 10 Listed Real Estate Companies by Investment Value, 2015 TOP 10 Brand Value of Commercial Property Companies in China

the Enterprise Research Institute of the Development Research Center of the State Council, Property Research Center of Tsinghua University and the China Index Academy



2015中国房地产上市公司TOP10  
Certificate of 2015 China TOP10 Listed Real Estate Company

"五洲国际" 荣获 2015 中国大陆在港上市房地产公司投资价值TOP10

China Real Estate Top 10 Research Team, consisted of Enterprise Research Institute of Development Research Center of the State Council of P.R.China, Institute of Real Estate Studies of Tsinghua University, and China Index Academy. Based on China listed real estate companies 2005-2014 annual reports, establish the evaluation system, structured by Investment Value, Economic Value Added (EVA), Profit, and Financial Stability, produce the research outcome of 2015 China Top 10 Listed Real Estate Company.

We hereby certify that WUZHOU INTERNATIONAL HOLDINGS LIMITED is the 2015 China Ranked TOP 10 Real Estate Company listed in Hong Kong by Investment Value.

二零一五年五月

HONOURS AND AWARDS

Listed Company with Greatest Investment Value  
at China Securities Golden Bauhinia Awards

Ta Kung Pao



Top 10 World Wenzhouese of the Year  
Wenzhou Municipal Government



# SOCIAL RESPONSIBILITIES

## LINGSHAN “WALK FOR CHARITY” CAMPAIGN 2015 HOSTED BY WUZHOU INTERNATIONAL GROUP

On 25 April, the Lingshan “Walk for Charity” Campaign 2015 organised by Wuzhou International Group was held in Lingshan, Wuxi. Close to 100 staff from the headquarters, the commercial management companies and the Wuxi project companies under the Group walked hand in hand with the same vision to unveil a new initiative in Wuzhou International’s charitable work. The teams invited donations and sponsorships during the walk to raise funds for charitable institutions.

It is the hope of Wuzhou International that, through this charitable campaign, more positive forces in the society will be encouraged to join in contributing to the cause of charity, and more people will get to see and feel the wonders of the world, and to partake in them. The charity of Wuzhou people will not be limited to “walking for charity”. In future, we are going to make our due contributions in many more areas of public charity.

## “TOP 100 TAISHUN BUSINESSMEN FOR CONTRIBUTIONS TO 100 COUNTY VILLAGES 2014” – CHAIRMAN OF WUZHOU INTERNATIONAL GROUP HONOURED

On 4 April, the third annual all-China conference of Taishun businessmen was held at the Taishun County Theatre. More than 400 business leaders returned to Taishun from all corners of the nation for a warm reunion and collaboration efforts to strengthen the Taishun business community and to strive for more magnificent achievements, in further manifestation of the spirit of Taishun merchants. Municipal government leaders, including Mr. Zhuo Gaozhu, Deputy Director of the Standing Committee of Wenzhou NPC and Mr. Chen Jianming, Deputy Mayor of Wenzhou People’s Government, officiated at the conference, while Chairman Shu Cecheng of Wuzhou International Group was also invited to attend.



## SOCIAL RESPONSIBILITIES

A signing ceremony was held during the conference for a number of investment projects relating to eco-friendly ventures, including a farming leisure and tourism facility, an outdoor training base, an education centre, a water sports training base and a creative cultural park. Afterward, a plaque-presentation/commencement ceremony officiated by the County Government was held in honour of organisations and institutions serving the Taishun economy.

Moreover, a number of entities, enterprises and individuals which had made outstanding contributions in business ventures and charity work in the homeland were also honoured at the conference. The Chairman of Wuzhou International Group was awarded the title of "Top 100 Taishun Businessmen for Contributions to 100 County Villages 2014", and he also presented a RMB500,000 donation to the university student grant foundation at the ceremony for matched donations.

Since the introduction of economic reforms in China, the people of Taishun have been engaged in active business development and innovation, paving the way for the glamorous achievements of the new generation of Taishun merchants, as they have established their presence in about 900 market sectors across the country with aggregate investments of RMB570 billion and annual sales of RMB850 billion. As the first listed company among enterprises founded by Taishun businessmen, Wuzhou International has been actively involved in the process of expediting development through innovation, helping the capital ventures of Taishun to reach new heights on the double drivers of the upgrade of principal businesses and the strategic investment in new sectors.

## CHAIRMAN'S STATEMENT

# WUZHOU INTERNATIONAL

is planning to engage in logistics business along with our integrated commercial trading platform provided to customers.





## CHAIRMAN'S STATEMENT

On behalf of the board of 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 2015.

In 2015, despite the slowdown of global economy, the economy of China remained stable with smooth growth when it entering a "new normal" phase. Strategies such as the "One Belt, One Road" and "Internet +" launched by the central government are drivers for China's continued economic growth. Central economic policies focused on strengthening the supply-side structural reforms to further optimize the economic structure and speed up the transformation and upgrading. Against the backdrop of upgrading of consumption structure to promote economic transformation, there are significant changes in consumption structure as production-oriented consumption gradually shifts to service-oriented consumption and Internet and mobile phones have played prominent roles in contemporary consumption. The high inventory pressure led to adjustment of real estate industry. To accommodate to the "new normal" economy, the Group proposed a light asset strategy of "product upgrade and service transformation".

## ANNUAL RESULTS

During the year, our total revenue was approximately RMB3,333 million, representing a decrease of 22.6% to that of 2014. The Company recorded loss for the year attributable to the equity holders of approximately RMB482 million in 2015, as compared to a profit of RMB253 million in 2014.

## OPERATIONAL REVIEW

### Sales Performance

In 2015, the Group recorded contracted sales and contracted sales area of approximately RMB6,018 million and approximately 949,000 square metres. Approximately RMB3,369 million and 577,000 sq.m. were from the sales of the trade logistics centers and approximately RMB2,650 million and 373,000 sq.m. were from the sales of multifunctional commercial complexes. As at 31 December 2015, our portfolio of property developments consisted of 39 projects in 12 provinces across China. Our contracted sales have involved 34 development projects in 11 provinces, including Jiangsu, Henan, Zhejiang, Chongqing, Yunnan, Heilongjiang, Hubei, Shandong, Inner Mongolia, Liaoning and Jilin.

### Land Bank

Acquisition of prime lands is vital to our growth in the future. In addition to our strong presence in Yangtze River Delta Area, we have replicated our successful business model to various regions across China, and often acquired sufficient prime lands. For the whole year of 2015, Wuzhou International, through public tenders, acquired land use rights of 4 parcels of land located in 3 cities from 3 provinces or autonomous region, namely Yueqing City in Zhejiang Province, Harbin City in Heilongjiang Province, Zhangzhou City in Fujian Province. As at 31 December 2015, Wuzhou International has 39 projects in total in 12 provinces of rapid development in PRC, including 22 trade logistics centers and 17 multi-functional commercial complexes, the total gross floor area ("GFA") of our development projects was over 11,000,000 sq.m.. Among which, the total GFA of our completed projects was 4,220,000 sq.m., the total GFA of our projects under development was 2,610,000 sq.m. and the total GFA of our projects planned for future development was 4,360,000 sq.m..

## CHAIRMAN'S STATEMENT

**BUSINESS STRATEGY**

Wuzhou International is committed to building an integrated commercial trading platform for customers and becoming a leading developer and operator of integrated trading and logistics platform, providing small and medium enterprises effective onestop integrated services. On the one hand, the Group has stepped efforts in developing commercial properties, expanded the sales territory and furthered the implementation of nationwide development strategy. On the other, the Group continued to integrate resources, unveil enterprise development model to achieve transformation of products and service upgrades as well as to implement light asset strategy. We expanded our footprints into real estate planning agency, brand licensing and provision of management services, storage and logistics management, e-commerce and Internet finance. Leverage on the powerful offline network, we strived to achieve O2O model and facilitate our rapid development in the "Internet+" era.

**Establishment of Wide Range of Financing Pipes**

In 2015, the Group further explored new financing pipes in the international capital market. In June 2015, the Group placed approximately 327 million ordinary shares with a net proceed of approximately RMB363 million. Further to the success of share placement in the capital market, the Group issued additional senior notes in an aggregate principal amount of US\$100 million. To enhance our financial flexibility, the Group will continue to explore the capital market and capture opportunities.

**SOUND INVESTOR COMMUNICATIONS**

Corporate transparency and corporate governance are of key importance to the Group. The Group has proactively communicated with 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 2015, 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**

Wuzhou will continue to accelerate resources integration along the trade logistics industrial chain, expand the businesses of commercial property development, storage and logistics management, e-commerce and integrated finance, and establish a "service platform for trade logistics of the industrial chain" through extensive and close cooperation with top companies along the industrial chain, on which we would focus on the development of the following two major businesses:

1. Significant development of light asset model: The Company will further improve the business model of "brand licensing and provision of management services" by both technologies transfer and stake taking in order to expand its market share and unlock the huge potential in the market of commerce and trade services. We will also evaluate and integrate resources of commercial property market for facilitating development of asset securitisation;

## CHAIRMAN'S STATEMENT

2. Optimisation of development and operation of commercial properties: We will focus on developing trade logistics parks. To ensure precise marketing and quality operation of trade logistics parks developed by us, we will only select "manufacturer-oriented market", "market for industry outward relocation or undertaking external industry resources" and "market customized for industrial demands" for investment,

thus, Wuzhou International will build up a 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 development, allowing Wuzhou International to be the leading operator of trade logistics platform 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 supports. 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*

30 March 2016



场盛大开业



**WUZ**  
五洲国际  
WUZHOU INTERNATIONAL

**WUZ**  
五洲国际

倾城 绽放  
江阴五洲国际广场盛大开业

**CREATE VALUE**

for the Customers

**PROVIDE A PLATFORM**

for the Employees

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### MARKET REVIEW

In 2015, the growth in global economy slowed down and the economy in China made progress while maintaining stability under the new normal. After a period of adjustment in property market in China in 2014, the central government and the local governments have introduced a series of favourable monetary as well as adjustment and control policies, constituting positive impacts on real estate industry. As a result, property sales has been progressively picking up though inventory maintained at a high level. Differences between city tiers remained wide that recovery signs of property market showed in tier 1 cities but higher inventory pressure remained in tier 2, tier 3 and tier 4 cities. In addition, decrease in investment value of real estate undermined investors' motivation in inventory clearance.

### BUSINESS REVIEW

#### I. Contracted sales

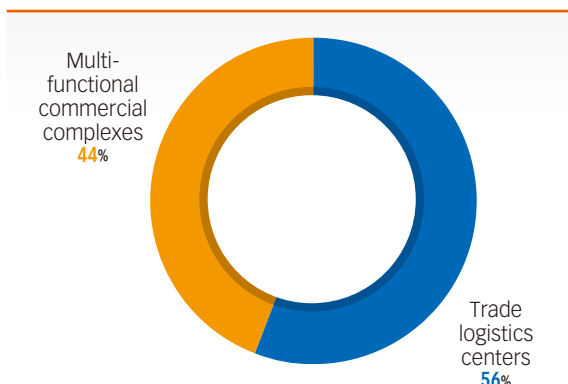
During the year under review, the Group recorded contracted sales and contracted sales area of approximately RMB6,018 million and approximately 949,000 square metres ("sq.m."), representing decreases of 9.0% and 3.5% as compared with the same period of the previous year, respectively. Approximately RMB3,369 million and 577,000 sq.m. were from the sales of the trade logistics centers. Approximately RMB2,650 million and 373,000 sq.m. were from the sales of multi-functional commercial complexes.

Contracted sales of the Group, by geographical location, were mainly from Jiangsu Province, Zhejiang Province and Henan Province. The contracted sales and contracted sales area were approximately RMB2,309 million, RMB1,143 million and RMB651 million, and approximately 386,000 sq.m., 117,000 sq.m. and 112,000 sq.m., respectively, accounting for 38.4%, 19.0% and 10.8%, and 40.7%, 12.3% and 11.8% of the total contracted sales amount and the total contracted sales area, respectively. Due to the market expansion strategy of the Group in other rapidly-developing cities, income source of the Group in terms of geographical locations became more balanced.

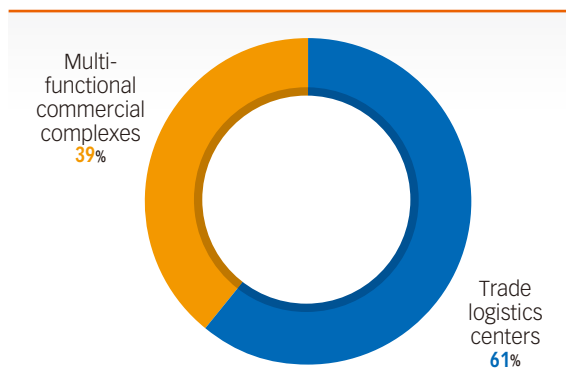


MANAGEMENT DISCUSSION AND ANALYSIS  
Business Review

Percentage of contracted sales amount by categories

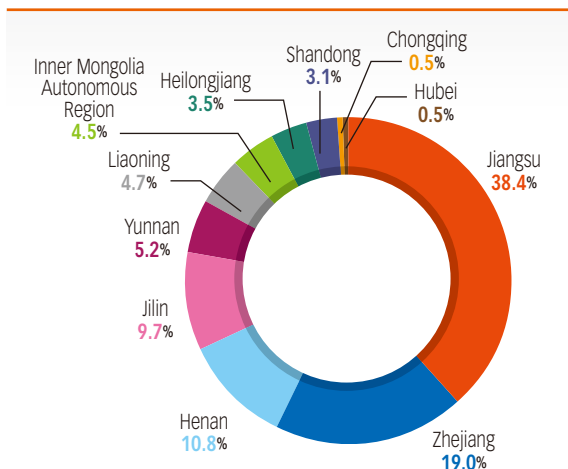


Percentage of contracted sales area by categories

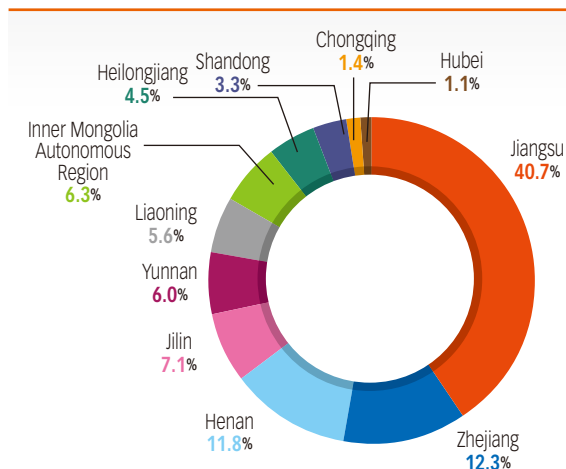


Region	Contracted sales amount		Contracted sales area	
	RMB million	Percentage (%)	'000 sq.m.	Percentage (%)
Jiangsu province	2,309	38.4	386	40.7
Zhejiang province	1,143	19.0	117	12.3
Henan province	651	10.8	112	11.8
Jilin province	585	9.7	67	7.1
Yunnan province	315	5.2	57	6.0
Liaoning province	283	4.7	53	5.6
Inner Mongolia Autonomous Region	273	4.5	60	6.3
Heilongjiang province	210	3.5	43	4.5
Shandong province	186	3.1	31	3.3
Chongqing city	33	0.5	13	1.4
Hubei province	30	0.5	10	1.1
<b>Total</b>	<b>6,018</b>	<b>100.0</b>	<b>949</b>	<b>100.0</b>

Percentage of contracted sales amount by regions



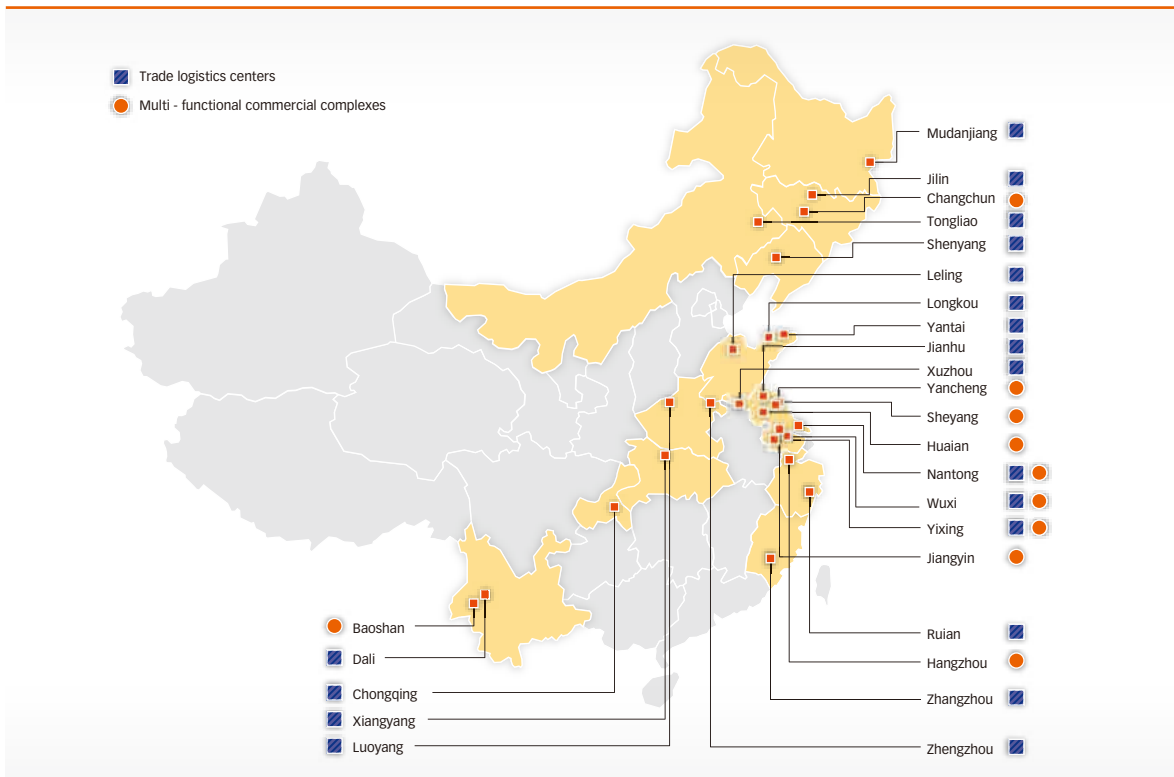
Percentage of contracted sales area by regions



MANAGEMENT DISCUSSION AND ANALYSIS  
Business Review

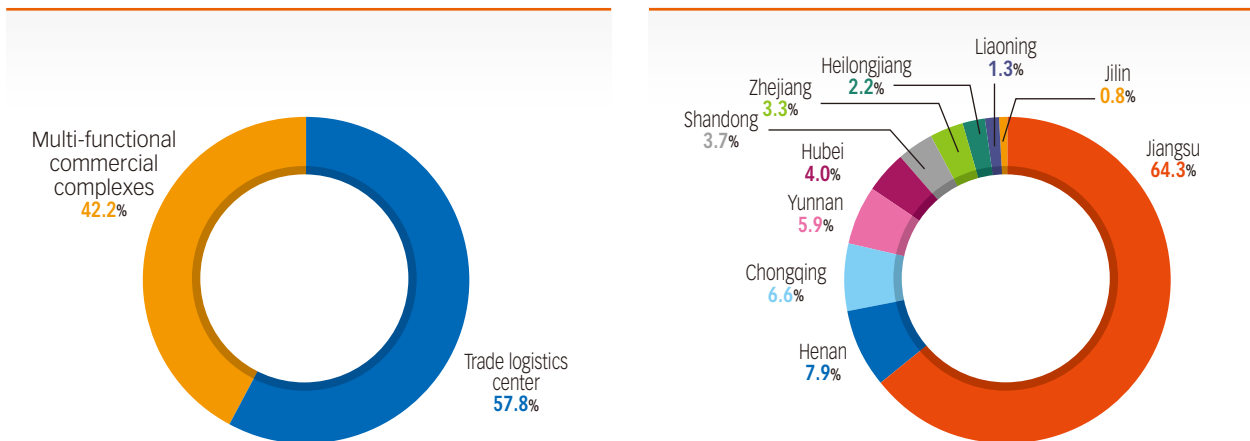
II. Project development

As at 31 December 2015, the Group had 39 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning, Chongqing, Inner Mongolia Autonomous Region and Fujian, including 22 trade logistics centers and 17 multi-functional commercial complexes.



Completed projects

During the year under review, the Group completed a total of 30 projects or project phases with a total GFA of approximately 4,223,000 sq.m., including approximately 2,260,000 sq.m. of GFA sold and delivered and approximately 636,000 sq.m. of GFA held for lease.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

### List of completed projects

Project name	City	Category	Interests of the Company	Total GFA	Total saleable GFA	GFA sold	GFA held for sale	GFA held for lease	
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	
<b>Jiangsu province</b>									
1	Wuxi	Wuzhou International Ornamental City	100%	392	340	233	6	101	
2	Wuxi	Wuzhou International Industrial Exhibition City	100%	440	395	322	3	70	
3	Wuxi	Wuzhou International Columbus Plaza	64.3%	212	168	107	17	44	
4	Wuxi	Wuzhou International Chinese Food Culture Exposition City	62%	191	154	81	28	45	
5	Wuxi	Meicun Wuzhou International Plaza	90%	54	40	19	–	21	
6	Wuxi	Yangjian Wuzhou International Plaza	100%	142	105	69	18	18	
7	Wuxi	Wuxi New District Columbus Plaza	100%	91	71	33	15	23	
8	Wuxi	Luoshe Wuzhou International Columbus Dragon City	100%	52	38	15	8	15	
9	Jianhu	Jianhu Wuzhou International Trade City	100%	107	105	84	21	–	
10	Yancheng	Yancheng Wuzhou International Plaza	100%	55	55	27	13	15	
11	Huian	Huian Wuzhou International Plaza	100%	147	110	50	6	54	
12	Nantong	Wuzhou International Automobile Exhibition City	75%	109	108	56	52	–	
13	Nantong	Nantong Wuzhou International Plaza	51%	360	255	154	39	62	
14	Jiangyin	Jiangyin Wuzhou International Plaza	90%	230	183	98	51	34	
15	Yixing	Yixing Wuzhou International Huadong Trade City	100%	65	64	18	46	–	
16	Sheyang	Sheyang Wuzhou International Plaza	100%	68	66	51	15	–	
				Sub-total	2,715	2,257	1,417	338	502
<b>Yunnan Province</b>									
17	Dali	Dali Wuzhou International Trade City	100%	178	176	161	15	–	
18	Baoshan	Baoshan Wuzhou International Plaza	61%	71	70	29	14	27	
				Sub-total	249	246	190	29	27
<b>Chongqing City</b>									
19	Chongqing	Rongchang Wuzhou International Trade City	94%	280	278	122	71	85	
				Sub-total	280	278	122	71	85
<b>Hubei Province</b>									
20	Xiangyang	Xiangyang Wuzhou International Industrial Exhibition City	100%	167	167	151	16	–	
				Sub-total	167	167	151	16	–
<b>Shandong Province</b>									
21	Longkou	Longkou Wuzhou International Trade City	95%	51	51	32	19	–	
22	Yantai	Yantai Wuzhou International Industrial Exhibition City (Fushan)	95%	69	69	67	2	–	
23	Leling	Leling Wuzhou International Exhibition City	51%	38	38	22	16	–	
				Sub-total	158	158	121	37	–
<b>Zhejiang Province</b>									
24	Hangzhou	Hangzhou Wuzhou International Plaza	100%	76	59	32	5	22	
25	Ruian	Ruian Wuzhou International Trade City	100%	65	63	48	15	–	
				Sub-total	141	122	80	20	22
<b>Heilongjiang Province</b>									
26	Mudanjiang	Mudanjiang Wuzhou International Industrial Exhibition City	100%	91	89	53	36	–	
				Sub-total	91	89	53	36	–

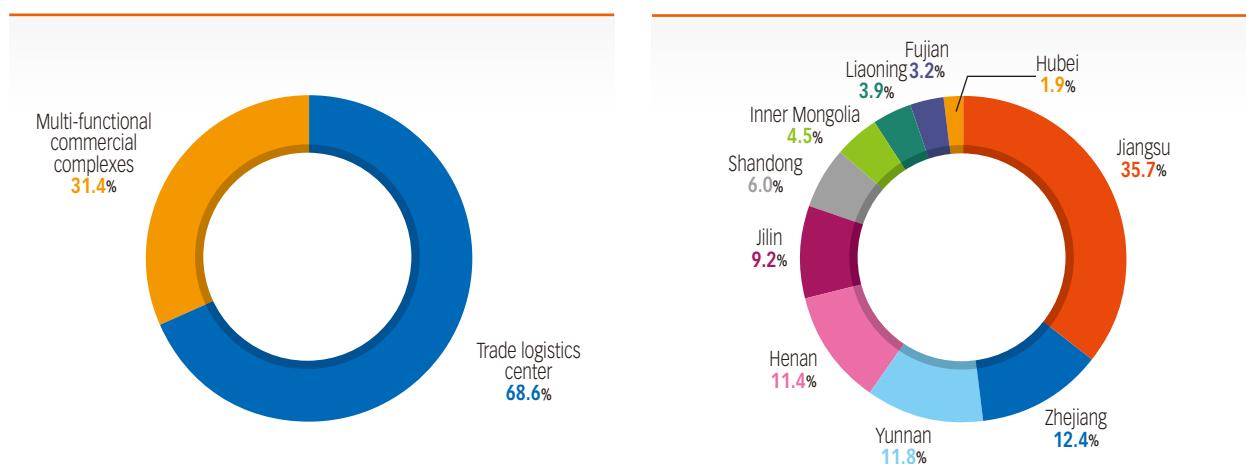
## MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

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.)	
<b>Henan Province</b>									
27	Luoyang	Wuzhou International Industrial Exhibition City	Trade logistics center	51%	144	143	92	51	-
28	Zhengzhou	Wuzhou International Industrial Exhibition City	Trade logistics center	100%	190	161	159	2	-
			Sub-total		334	304	251	53	-
<b>Jilin Province</b>									
29	Changchun	Wuzhou International Plaza	Multi-functional commercial complex	100%	35	35	20	15	-
			Sub-total		35	35	20	15	-
<b>Liaoning Province</b>									
30	Shenyang	Wuzhou International Industrial Exhibition City	Trade logistics center	100%	53	52	50	2	-
			Sub-total		53	52	50	2	-
			Total		4,223	3,708	2,455	617	636

**Projects under development**

As at 31 December 2015, the Group had a total of 23 projects or project phases under development with a total planned GFA of 2,611,000 sq.m., including approximately 457,000 sq.m. of GFA pre-sold and approximately 510,000 sq.m. of GFA held for lease.



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### List of projects under development

Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA	Total saleable GFA	GFA pre-sold	GFA held for sale	GFA held for lease	
										('000 sq.m.)
<b>Jiangsu Province</b>										
1	Wuxi	Wuzhou International Industrial Exhibition City Phase II Hall D	Trade logistics center	100%	2016	83	69	14	12	43
2	Wuxi	Wuzhou International Ornamental City Phase V Hall F	Trade logistics center	100%	2016	34	26	–	26	–
3	Wuxi	Qianzhou Wuzhou International Plaza	Multi-functional commercial complex	80%	2016	74	60	9	33	18
4	Nantong	Wuzhou International Automobile Exhibition City	Trade logistics center	75%	2016	180	122	55	67	–
5	Jiangyin	Jiangyin Wuzhou International Plaza	Multi-functional commercial complex	90%	2016	29	27	21	6	–
6	Yixing	Yixing Wuzhou International Plaza	Multi-functional commercial complex	51%	2016	118	93	25	68	–
7	Yancheng	Yancheng Wuzhou International Plaza	Multi-functional commercial complex	100%	2016	73	44	23	12	9
8	Sheyang	Sheyang Wuzhou International Plaza	Multi-functional commercial complex	100%	2016	66	63	–	63	–
9	Huaian	Huaian Wuzhou International Plaza Phase II	Multi-functional commercial complex	100%	2016	84	73	34	39	–
10	Xuzhou	Xuzhou Road-port	Trade logistics center	70%	2016	190	190	–	3	187
Sub-total						931	767	181	329	257
<b>Yunnan Province</b>										
11	Dali	Dali Wuzhou International Trade City	Trade logistics center	100%	2016	172	169	9	76	84
12	Baoshan	Baoshan Wuzhou International Plaza	Multi-functional commercial complex	61%	2016	137	115	40	75	–
Sub-total						309	284	49	151	84
<b>Hubei Province</b>										
13	Xiangyang	Xiangyang Wuzhou International Industrial Exhibition City	Trade logistics center	100%	2016	50	48	1	47	–
Sub-total						50	48	1	47	–
<b>Shandong Province</b>										
14	Longkou	China Longkou Wuzhou International Trade City	Trade logistics center	95%	2016	81	81	4	52	25
15	Yantai	Yantai Wuzhou International Industrial Exhibition City	Trade logistics center	95%	2017	75	68	3	65	–
Sub-total						156	149	7	117	25
<b>Zhejiang Province</b>										
16	Ruian	Ruian Wuzhou International Trade City	Trade logistics center	100%	2016	170	143	15	30	98
17	Leqing	Leqing Wuzhou International Electrics & Electronic Appliance City	Trade logistics center	100%	2017	155	155	38	111	6
Sub-total						325	298	53	141	104

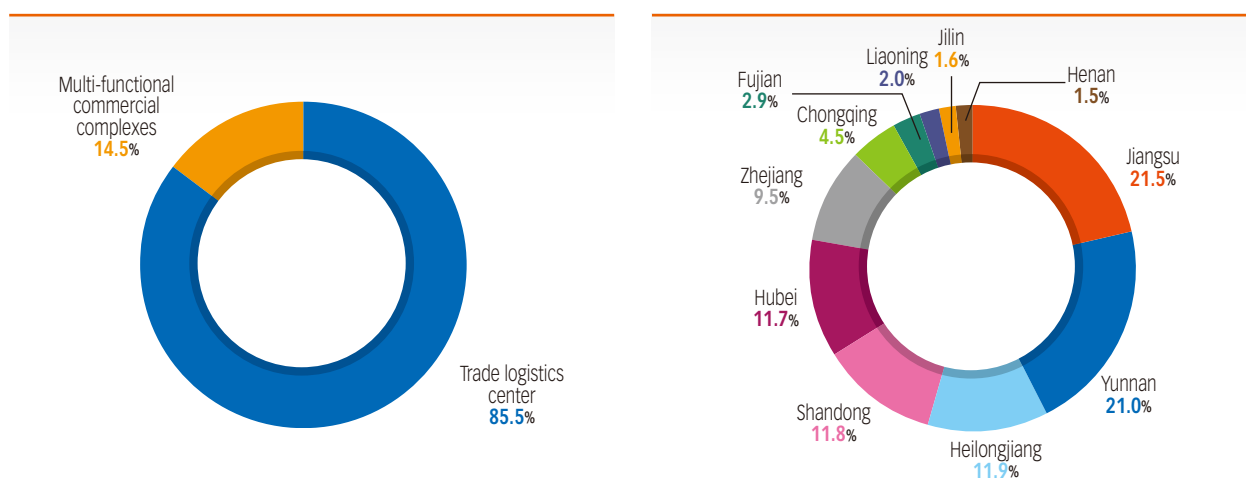
## MANAGEMENT DISCUSSION AND ANALYSIS

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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.)	
<b>Henan Province</b>										
18	Luoyang	Wuzhou International Industrial Exhibition City	Trade logistics center	51%	2016	66	63	10	53	-
19	Zhengzhou	Wuzhou International Industrial Exhibition City	Trade logistics center	100%	2016	231	205	78	127	-
Sub-total						297	268	88	180	-
<b>Jilin Province</b>										
20	Changchun	Wuzhou International Plaza	Multi-functional commercial complex	100%	2016	240	200	38	122	40
Sub-total						240	200	38	122	40
<b>Liaoning Province</b>										
21	Shenyang	Wuzhou International Industrial Exhibition City	Trade logistics center	100%	2017	102	85	13	72	-
Sub-total						102	85	13	72	-
<b>Inner Mongolia Autonomous Region</b>										
22	Tongliao	Wuzhou International Trade City	Trade logistics center	100%	2016	118	117	27	90	-
Sub-total						118	117	27	90	-
<b>Fujian Province</b>										
23	Zhangzhou	Wuzhou City	Trade logistics center	100%	2017	83	83	-	83	-
Sub-total						83	83	-	83	-
Total						2,611	2,299	457	1,332	510

## Projects planned for development

As at 31 December 2015, the Group had a total of 18 projects or project phases planned for development, with a total planned GFA of approximately 4,360,000 sq.m.



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### List of projects planned for future development

Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
<b>Jiangsu Province</b>				
1	Wuxi	Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall B and Building Complex	100%	144
2	Wuxi	Qianzhou Wuzhou International Plaza	80%	27
3	Jianhu	Jianhu Wuzhou International Trade City Phase II	100%	114
4	Sheyang	Sheyang Wuzhou International Plaza	100%	307
5	Nantong	Wuzhou International Automobile Exhibition City	75%	134
6	Yixing	Yixing Wuzhou International Huadong Trade City	100%	211
			Sub-total	937
<b>Chongqing City</b>				
7	Chongqing	Rongchang Wuzhou International Trade City Phase II	94%	197
			Sub-total	197
<b>Yunnan Province</b>				
8	Dali	Dali Wuzhou International Trade City Phase III	100%	917
			Sub-total	917
<b>Hubei Province</b>				
9	Xiangyang	Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	100%	512
			Sub-total	512
<b>Shandong Province</b>				
10	Leling	Leling Wuzhou International Exhibition City	51%	414
11	Longkou	China Longkou Wuzhou International Trade City	95%	100
			Sub-total	514
<b>Heilongjiang Province</b>				
12	Mudanjiang	Mudanjiang Wuzhou International Industrial Exhibition City	100%	221
13	Harbin	Harbin Wuzhou International Animation, Cultural and Tourism City	100%	300
			Sub-total	521
<b>Henan Province</b>				
14	Luoyang	Luoyang Wuzhou International Industrial Exhibition City	51%	64
			Sub-total	64

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Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	
<b>Jilin Province</b>					
15	Jilin Wuzhou International Trade City	Jilin	Trade logistics center	100%	70
			Sub-total		70
<b>Liaoning Province</b>					
16	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	86
			Sub-total		86
<b>Zhejiang Province</b>					
17	Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	416
			Sub-total		416
<b>Fujian Province</b>					
18	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	126
			Total		4,360

### 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. It 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 more extensive land bank across China.

As of 31 December 2015, the total planned GFA of land bank amounted to approximately 8,298,000 sq.m., including approximately 1,327,000 sq.m. for completed projects, approximately 2,611,000 sq.m. for projects under development and approximately 4,360,000 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.

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As at 31 December 2015, 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	873	931	937	2,741
Yunnan province	39	309	917	1,265
Hubei province	22	50	512	584
Shandong province	63	156	514	733
Zhejiang province	61	325	416	802
Heilongjiang province	51	–	521	572
Henan province	96	297	64	457
Jilin province	33	240	70	343
Liaoning province	4	102	86	192
Chongqing city	85	–	197	282
Inner Mongolia Autonomous Region	–	118	–	118
Fujian province	–	83	126	209
Total	1,327	2,611	4,360	8,298

#### IV. Centralized operation, management and marketing

Most of the purchasers of its 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 multifunctional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its trade logistics centers and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the 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 multifunctional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, asset management, construction, design and operation capability 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.

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**V. Outlook**

Looking forward to 2016, the economic development in China will enter into the new normal situation. The Chinese government will adhere to the general principle of making progress while maintaining stability in macro-control measures by consistently implementing structural loose monetary policy and giving great priority to “maintaining stable growth, increasing efficiency” in its aggressive fiscal policy. With the support of a series of favourable policy on property market by the Chinese government and on-going advancement of construction for urbanisation, property industry is expected to maintain steady and healthy development.

Wuzhou will continue to accelerate resources integration along the trade logistics industrial chain, expand the businesses of commercial property development, storage and logistics management, e-commerce and integrated finance, and establish a “service platform for trade logistics of the industrial chain” through extensive and close cooperation with top companies along the industrial chain, on which we would focus on the development of the following two major businesses:

1. Significant development of light asset model: The Company will further improve the business model of “brand licensing and provision of management services” by both technologies transfer and stake taking in order to expand its market share and unlock the huge potential in the market of commerce and trade services. We will also evaluate and integrate resources of commercial property market for facilitating development of asset securitisation;
2. Optimisation of development and operation of commercial properties: We will focus on developing trade logistics parks. To ensure precise marketing and quality operation of trade logistics parks developed by us, we will only select “manufacturer-oriented market”, “market for industry outward relocation or undertaking external industry resources” and “market customized for industrial demands” for investment,

thus, Wuzhou International will build up a 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 development, allowing Wuzhou International to be the leading operator of trade logistics platform in China.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2015, turnover of the Group amounted to approximately RMB3,333 million, representing a decrease of 22.6% from approximately RMB4,308 million for the corresponding year in 2014. Loss for the year attributable to the equity holders of the Company was approximately RMB482 million, representing a decrease of 290.5% from approximately RMB253 million for the corresponding year in 2014.

### 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 decreased by 24.3% to approximately RMB3,085 million for the year ended 31 December 2015 from approximately RMB4,075 million for the corresponding year in 2014. This decrease was primarily due to an decrease 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 2015 and 2014.

	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Total revenue RMB'000	GFA sq.m.	Average selling price RMB	Total revenue RMB'000	GFA sq.m.	Average selling price RMB
Zhengzhou Wuzhou International Industrial Exhibition City 鄭州五洲國際工業博覽城	800,278	153,764	5,205	–	–	–
Nantong Wuzhou International Plaza 南通五洲國際廣場	399,319	54,423	7,337	985,640	95,226	10,351
Baoshan Wuzhou International Plaza 保山五洲國際廣場	280,610	26,329	10,658	–	–	–
Shenyang Wuzhou International Industrial Exhibition City 瀋陽五洲國際工業博覽城	232,941	38,573	6,039	–	–	–
Wuzhou International Automobile Exhibition City 五洲國際汽車博覽城	159,935	32,849	4,869	133,048	25,879	5,141
Ruian Wuzhou International Trade City 瑞安五洲國際商貿城	148,626	13,078	11,365	177,160	14,776	11,990

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	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Total revenue RMB'000	GFA sq.m.	Average selling price RMB	Total revenue RMB'000	GFA sq.m.	Average selling price RMB
Dali Wuzhou International Trade City 大理五洲國際商貿城	141,649	22,120	6,404	54,369	15,147	3,589
Luoyang Wuzhou International Industrial Exhibition City 洛陽五洲國際工業博覽城	129,243	27,354	4,725	293,907	58,018	5,066
Sheyang Wuzhou International Plaza 射陽五洲國際廣場	110,469	34,685	3,185	–	–	–
Mudanjiang Wuzhou International Industrial Exhibition City 牡丹江五洲國際工業博覽城	104,854	22,375	4,686	80,435	17,432	4,614
Hangzhou Wuzhou International Plaza 杭州五洲國際廣場	80,171	3,604	22,245	618,562	28,310	21,850
Jiangyin Wuzhou International Plaza 江陰五洲國際廣場	73,040	7,625	9,579	550,668	81,897	6,724
Yixing Wuzhou International Huadong Trade City 宜興五洲國際華東商貿城	64,256	11,744	5,471	33,934	6,185	5,486
Wuxi Wuzhou International Chinese Food Culture Exposition City 無錫五洲國際中華美食城	52,445	11,766	4,457	345,287	35,587	9,703
Leling Wuzhou International Exhibition City 樂陵五洲國際博覽城	45,756	15,064	3,037	–	–	–
Changchun Wuzhou International Plaza 長春五洲國際廣場	39,707	2,610	15,214	–	–	–
Jianhu Wuzhou International Trade City 建湖五洲國際商貿城	39,146	18,363	2,132	30,993	9,593	3,231
Wuxi Wuzhou International Ornamental City 無錫五洲國際裝飾城	32,513	3,387	9,599	99,711	9,051	11,017
Rongchang Wuzhou International Trade City 榮昌五洲國際商貿城	22,513	10,595	2,125	58,352	17,002	3,432
Xiangyang Wuzhou International Industrial Exhibition City 襄陽五洲國際工業博覽城	20,832	6,663	3,127	93,368	18,959	4,925
Luoshe Wuzhou International Columbus Dragon City 洛社五洲國際哥倫布六龍城	20,516	1,391	14,749	121,553	4,647	26,157
Wuxi New District Columbus Plaza 無錫新區哥倫布廣場	19,051	4,544	4,193	26,502	2,062	12,852
Meicun Wuzhou International Plaza 梅村五洲國際廣場	15,512	1,943	7,983	–	–	–
Wuxi Wuzhou International Columbus Plaza 無錫五洲國際哥倫布廣場	15,115	1,324	11,416	22,446	1,451	15,469

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	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Total revenue RMB'000	GFA sq.m.	Average selling price RMB	Total revenue RMB'000	GFA sq.m.	Average selling price RMB
Wuxi Wuzhou International Industrial Exhibition City 無錫五洲國際工業博覽城	11,184	1,842	6,072	149,446	34,191	4,371
Huaian Wuzhou International Plaza 淮安五洲國際廣場	9,805	1,574	6,229	75,875	16,152	15,471
Yancheng Wuzhou International Plaza 鹽城五洲國際廣場	6,922	234	29,583	6,092	968	6,293
Yangjian Wuzhou International Plaza 羊尖五洲國際廣場	3,976	706	5,632	24,121	4,345	5,551
Longkou Wuzhou International Trade City 龍口五洲國際商貿城	3,452	438	7,882	85,810	10,890	7,880
Yantai Wuzhou International Industrial Exhibition City (Fushan) 煙台五洲國際工業博覽城(福山)	1,008	187	5,390	7,698	2,004	3,841
Total	3,084,844	531,154	5,808	4,074,977	509,772	7,994

**Rental Income**

Rental income generated from rental of investment properties increased by 36.8% to approximately RMB74 million for the year ended 31 December 2015 from approximately RMB54 million for the corresponding year in 2014. 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.

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Commercial management service income increased by approximately 7.1% to approximately RMB99 million for the year ended 31 December 2015 from approximately RMB92 million for the corresponding year in 2014. Property management service income decreased by 50.7% to approximately RMB6 million for the year ended 31 December 2015 from approximately RMB12 million for the corresponding year in 2014. 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 decreased by 7.3% to approximately RMB44 million for the year ended 31 December 2015 from approximately RMB47 million for the corresponding year in 2014, which was mainly resulted from the decrease 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 20.8% to approximately RMB7 million for the year ended 31 December 2015 from approximately RMB9 million for the corresponding year in 2014, which was resulted from the decrease of the relevant sales.

**GROSS PROFIT AND MARGIN**

Gross profit decreased by 52.3% to approximately RMB715 million for the year ended 31 December 2015 from approximately RMB1,499 million for the corresponding year in 2014. Gross profit margin decreased to 21.5% for the year ended 31 December 2015 from 34.8% for the corresponding year in 2014. The decrease in gross profit was in line with the decrease in revenue and gross profit margin for the year ended 31 December 2015. While the decrease in our gross margin was net result of the decrease 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 49.6% to approximately RMB148 million for the year ended 31 December 2015 from approximately RMB99 million for the corresponding year in 2014. Other income and gains are mainly represented by subsidy income, interest income, fair value gain of convertible notes and certain non-recurring income and gains.

**SELLING AND DISTRIBUTION EXPENSES**

Our selling and distribution expenses decreased by 19.9% to approximately RMB406 million for the year ended 31 December 2015 from approximately RMB507 million for the corresponding year in 2014. 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 2015 as compared to that in the corresponding year of 2014.

**ADMINISTRATIVE EXPENSES**

Our administrative expenses increased by 4.1% to approximately RMB452 million for the year ended 31 December 2015 from approximately RMB435 million for the corresponding year in 2014. The increase was mainly due to the increase in business activities of new projects that entered into trial or early stage of operations.

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**FINANCE COSTS**

Our finance costs increased by 211.6% to approximately RMB369 million for the year ended 31 December 2015 from approximately RMB118 million for the corresponding year in 2014. The increase was primarily due to an increase in bank loans, senior and convertible notes issuance to finance the business operation and development, which in turn increased the interest expenses.

**INCOME TAX EXPENSES**

Our income tax expenses decreased by 51.7% to approximately RMB217 million for the year ended 31 December 2015 from approximately RMB449 million for the corresponding year in 2014. The decrease was primarily due to the combined effects of deferred tax debited to the income statement during the year 2015 and a decrease in enterprises income tax for lower profit margin projects recognised in the year of 2015.

**LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The Group recorded a loss for the year attributable to owners of the Company of approximately RMB482 million as compared to profit of approximately RMB253 million for the corresponding year in 2014, which represented a decrease of 290.5%. The decrease was mainly due to the decreases in revenue which resulted in lower gross profit, profit margin, unrealized foreign exchange loss, revaluation gain on the appreciation of our investment properties and an increase in finance costs in the year of 2015.

**LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES****Cash Position**

As at 31 December 2015, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB2,552 million (2014: approximately RMB1,802 million), representing an increase of 41.6% as compared to that as at 31 December 2014. 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 2015, the Group's restricted cash was approximately RMB154 million (2014: approximately RMB89 million), representing an increase of 73.9% as compared to that as at 31 December 2014.

**Current Ratio and Gearing Ratio**

As at 31 December 2015, the Group has current ratio (being current assets over current liabilities) of approximately 1.01 compared to that of 1.07 as at 31 December 2014. The gearing ratio was 123.5% as at 31 December 2015 compared to that of 86.2% as at 31 December 2014. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings, 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, senior and convertible notes) over total assets ratio was 35.8% as at 31 December 2015 compared to that of 28.0% as at 31 December 2014.

**Borrowings and Charges on the Group's Assets**

As at 31 December 2015, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes of approximately RMB4,959 million (2014: approximately RMB3,709 million) and approximately RMB2,550 million (2014: RMB1,722 million), respectively. Amongst the bank and other borrowings, approximately RMB2,794 million (2014: approximately RMB1,299 million) will be repayable within 1 year, approximately RMB1,783 million (2014: approximately RMB2,013 million) will be repayable between 2 to 5 years and approximately RMB383 million (2014: approximately RMB397 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.

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As at 31 December 2015, 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 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 2015, the Group had committed payment for the acquisitions of land use rights and properties under development amounting to approximately RMB100 million (2014: Nil) and approximately RMB2,914 million (2014: RMB2,950 million), respectively.

**Contingent Liabilities**

As at 31 December 2015, the Group had provided guarantees amounting to approximately RMB1,891 million (2014: approximately RMB1,083 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 2015 as the default risk is low.

**Employees and Remuneration Policies**

As at 31 December 2015, the Group had approximately 3,687 employees, of which 1,902 employees involved in the property development sector and 1,785 in the property operation services sector. Total staff costs, including directors' emoluments, for the year ended 31 December 2015 amounted to approximately RMB295 million (2014: approximately RMB266 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 2015, the total number of shares in respect of which options were granted under the Scheme remain outstanding is 51,596,769 shares, representing 1.0% of the total number of Shares in issue. For the year ended 31 December 2015, no share option has been granted and 4,650,000 shares has been exercised under the Scheme.

# DIRECTORS' PROFILE

## EXECUTIVE DIRECTORS

**Mr. Shu Cecheng** (舒策城), aged 47, 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 and Mr. Shu Ceyuan, who are both executive Directors. 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 and has been the executive vice president of Wuxi Wenzhou Chamber of Commerce since November 2011. 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 Sixth 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, 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. In 2013, Mr. Shu received the Personalities for the Year of PRC Branded Enterprises Award given by the Federation for the Development of Chinese Entrepreneurs, title of Pioneer Worker in the Chinese Market in 2013 PRC granted by the China Commercial Federation and the Personalities for the Year of PRC Branded Enterprises Award given by the Organizing Committee for Ceremonies of Chinese Branded Enterprises. Mr. Shu was also named an Outstanding Capital Leader 2013, Pioneer of Businessmen Returning to Wenzhou 2014, Outstanding Personality in the Chinese Real Estate Sector 2014, "EY Entrepreneur of The Year China" in 2014 by Ernst & Young, Chinese Market Leader 2014 and Personality of the Year in the Third Wenzhou Natives in the World Award.

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.

## DIRECTORS' PROFILE

**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, Mr. Shu Ceyuan, an executive Director 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 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. Since 2011, Mr. Shu Cewan has been the vice chairman of Wuxi Wenzhou Chamber of Commerce. He is also the vice chairman of the Federation of Chinese Private Enterprises, a member of the Chong An District Committee (Wuxi) of the Chinese People's Political Consultative Conference 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.

**Mr. Shu Ceyuan** (舒策員), aged 42, was appointed as an executive Director on 14 November 2012. He is the brother of Mr. Shu Cecheng, the Chairman of the Group, Mr. Shu Cewan, an executive Director and Mr. Shu Cezhang, the Group's head of operations. Mr. Shu Ceyuan has over eleven years of experience in the real estate development industry with specialty in the area of property construction. He plays a vital role in the planning and controlling processes of the Group's construction works. Mr. Shu Ceyuan has been with the Group since March 2004 and has been the vice president of certain of the companies within the Group, primarily in charge of the planning and design center and the project management center and cost – control center.

Mr. Shu Ceyuan obtained a master of business administration issued by the Victoria University Switzerland.



## DIRECTORS' PROFILE

**Ms. Wu Xiaowu** (吳曉武), aged 49, was appointed as the Group's executive Director on 14 November 2012. Ms. Wu has over 27 years of experience in financial management. Ms. Wu joined the Group in 2009 and was appointed as the chief financial officer in 2010, mainly responsible for overseeing the Group's financial matters as well as internal control and risk management. Prior to joining the Group, Ms. Wu was a director and chief financial officer of Wuxi Huadong Cocoa Food Co., Ltd. from 2007 to 2009 and was in charge of the company's financial matters. Between 2001 and 2007, Ms. Wu served as the chief financial officer of Wuxi Taian Automation Co., Ltd. and was in charge of the overall financial management of the company. Prior to that, from 1988 to 2001, Ms. Wu was the head of the financial department of Wuxi Zhongya Wool Spinning and Printing Co., Ltd. and was responsible for the management of the company's financial matters.

Ms. Wu graduated from Jiangsu University with a diploma in accounting in July 2003. Ms. Wu was qualified as a senior accountant by the Personnel Department of Jiangsu Province in October 2007 and later accredited as senior accountant by the International Profession Certification Association in November 2011. Ms. Wu obtained a master of business administration issued by the Victoria University Switzerland.

**Mr. Zhao Lidong** (趙立東), aged 46, was appointed as the Group's executive Director on 14 November 2012. Mr. Zhao has over 16 years of experience in the property development industry with specialty in the area of property construction. Mr. Zhao joined the Group in November 2011, and was responsible in overseeing the Group's planning and design center, project management center, cost-control center, human resources centre, administrative information centre and the Group's commercial management subsidiaries.

Between 2003 and 2011, Mr. Zhao held various positions in Dalian Wanda Group Co., Ltd. including serving as the engineer of Dalian Wanda Group Commercial Property Management Co., Ltd., the deputy general manager of Wuhuan Wanda Group Plaza Commercial Management Co., Ltd. and Tianjin Wanda Plaza Commercial Management Co., Ltd. and as the general manager of property management department, construction department and preparatory department of Wanda Commercial Management Co., Ltd. His scope of responsibilities included project management and operational management.

Prior to that, from 1999 to 2003, Mr. Zhao was the project director of Dalian Commercial Construction Supervision Company, responsible for overseeing different construction projects. Between 1996 and 1999, Mr. Zhao worked at Dalian Tariff-free Zone Wote International Commerce Co., Ltd. as the manager of the engineering department, mainly responsible for the construction project of water supply systems. From 1992 to 1996, Mr. Zhao worked at Dalian Power Station which is now known as Dalian Power Co., Ltd. as an engineer and technical specialist, primarily responsible for the installation of electricity and heating systems.

Mr. Zhao graduated from Dalian University in July 1992 with a diploma in thermal power engineering. Mr. Zhao obtained a bachelor's degree from Dalian University of Technology. Mr. Zhao was qualified as a heating and ventilation engineer in November 2000.

## DIRECTORS' PROFILE

**NON-EXECUTIVE DIRECTOR**

**Mr. Wang Wei** (王威), aged 46, 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 general manager of Ping An Real Estate Fund Management (平安不動產股權投資管理有限公司). From late 2009 to early 2013, Mr. Wang was a managing director of Forum Partners Investment Management, a United States real estate private equity fund, responsible for the firm's overall operation and development in China. Between 2008 and 2009, Mr. Wang was a vice president and the chief financial officer of Sunshine 100 China, a commercial and residential real estate developer in 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. 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 at the treasury department of Bank of China, Head Office in Beijing, China, participating in the development of financing debt from overseas and financial derivatives.

Mr. Wang Wei obtained a master degree in business administration from Columbia Business School, and a bachelor's degree in economics from Fudan University.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Dr. Song Ming** (宋敏), aged 54, 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 24 years of experience in the research of bank regulation and management, financial market, derivatives and macroeconomics. Dr. Song is currently the director of the department of finance and a professor at the school of economics at Peking University. 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 and Guotai Junan International Holdings Limited since 2007 and 2010, both are companies listed on the 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.

## DIRECTORS' PROFILE

**Mr. Lo Kwong Shun Wilson** (羅廣信), aged 42, 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** (舒國澧), aged 56, 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. 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.

## SENIOR MANAGEMENT'S PROFILE

**Mr. Zhu Aiming** (朱愛明), age 49, 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 project management, coordinating with external parties and obtaining governmental approvals for various construction projects. 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), age 37, 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, Mr. Shu Cewan, the chief executive officer and Mr. Shu Ceyuan, an executive Director.

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.

## SENIOR MANAGEMENT'S PROFILE

**Mr. Shen Xin** (沈欣), aged 46, is the Group's head of engineering. Mr. Shen was the vice president of certain of the Group companies, and was responsible for the audit center and the cost control center. Prior to joining the Group, from 2000 to 2012, Mr. Shen held managerial positions at a number of real estate development companies in the PRC. Between 1991 and 2000, Mr. Shen worked as a designer in China Architecture Dongnan Design Institute, which is now known as China Architecture Shanghai Design Institute Co., Ltd., where he was mainly responsible for structural design, contract and operation management.

Mr. Shen graduated from Tongji University in December 1997 with a bachelor degree in engineering. He obtained a second bachelor degree in management from Tongji University. Mr. Shen was qualified as an engineer in December 1998 by China Architecture and Construction Co. and China Architecture Dongnan Design Institute, and later as a class 1 registered structural engineer in January 1999 by the National Administration Board of Engineering Registration (Structural) PRC).

### COMPANY SECRETARY

**Mr. Cheung Man Hoi** (張文海), 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.

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

## 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 2015 are set out in the consolidated statement of comprehensive income on page 68.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 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 165 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 2015 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 33 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

**RESERVES**

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on page 150 and note 34 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2015, calculated under the Cayman Islands Companies Law, amounted to RMB642,594,000 (2014: RMB740,167,000) representing share premium of RMB1,299,010,000, setting off by accumulated losses of RMB656,416,000.

**DONATIONS**

Charitable and other donations made by the Group during the year ended 31 December 2015 amounted to RMB1,228,938 (2014: RMB2,824,000).

**PROPERTY, PLANT AND EQUIPMENT**

Details of movements in property, plant and equipment of the Company during the year ended 31 December 2015 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  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

**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.

## REPORT OF THE DIRECTORS

In accordance with Article 104(a) of the Company's articles of association, Mr. Shu Ceyuan, Mr. Lo Kwong Shun Wilson and Prof. Shu Guoying 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 2013.

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 2013.

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.

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.



## REPORT OF THE DIRECTORS

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

As of 31 December 2015, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or 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 2015
Mr. Shu Cecheng	Long position	Interest of controlled corporation <sup>(1)</sup>	2,567,148,295	–	51.44%
Mr. Shu Cewan	Long position	Interest of controlled corporation <sup>(1)</sup>	2,567,148,295		51.44%
	Long position	Personal	–	3,000,000 <sup>(5)</sup>	0.06%
Mr. Shu Ceyuan	Long position	Interest of controlled corporation <sup>(2)</sup>	9,384,297	–	0.19%
	Long position	Personal	–	2,000,000 <sup>(5)</sup>	0.04%
Ms. Wu Xiaowu	Long position	Interest of controlled corporation <sup>(3)</sup>	9,384,297		0.19%
	Long position	Personal	–	1,628,000 <sup>(5)</sup>	0.03%
Mr. Zhao Lidong	Long position	Interest of controlled corporation <sup>(4)</sup>	4,832,821	–	0.10%
	Long position	Personal	–	2,160,000 <sup>(5)</sup>	0.04%
Dr. Song Ming	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Mr. Lo Kwong Shun Wilson	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Prof. Shu Guoying	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%

## REPORT OF THE DIRECTORS

## 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. 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) Dream Chaser Holdings Limited ("Dream Chaser") is wholly owned by Mr. Shu Ceyuan. Mr. Shu Ceyuan is deemed to be interested in the Shares held by Dream Chaser for the purpose of Part XV of the SFO.
- (3) Starry Horizon Holdings Limited ("Starry Horizon") is wholly owned by Ms. Wu Xiaowu. Ms. Wu Xiaowu is deemed to be interested in the Shares held by Starry Horizon for the purpose of Part XV of the SFO.
- (4) Mastery Ventures Holdings Limited ("Mastery Ventures") is wholly owned by Mr. Zhao Lidong. Mr. Zhao Lidong is deemed to be interested in the Shares held by Mastery Ventures for the purpose of Part XV of the SFO.
- (5) The relevant Director/chief executive was granted options to subscribe for such number of Shares under the Scheme on 24 September 2013.

**(ii) Long position in 13.75% senior notes due 2018 issued by the Company**

Ms. Wu Xiaowu has interest in the 13.75% senior notes due 2018 issued by the Company (the "2018 Senior Notes"). Details of the 2018 Senior Notes held by the Director as at 31 December 2015 were as follows:

Name of Director	Nature of interest	Amount of 2018 Senior Notes held	Percentage to the total 2018 Senior Notes in issue as at 31 December 2015
Wu Xiaowu	Personal	1,750,000	0.583%

**(iii) 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 2015
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%
Mr. Shu Ceyuan	Corporate interest	Dream Chaser	1 share	Par value of US\$1.00	100%
Ms. Wu Xiaowu	Corporate interest	Starry Horizon	1 share	Par value of US\$1.00	100%
Mr. Zhao Lidong	Corporate interest	Mastery Ventures	1 share	Par value of US\$1.00	100%

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities 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 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.

## REPORT OF THE DIRECTORS

As at 31 December 2015, the total number of Shares in respect of which options were granted under the Scheme remain outstanding is 51,596,769 Shares, representing 1.03% of the total number of Shares in issue. For the year ended 31 December 2015, no share option has been granted, 4,650,000 Shares has been exercised under the Scheme and 12,612,943 share options granted under the Scheme were cancelled.

The summary below set out the details of options granted as at 31 December 2015 pursuant to the Scheme.

Name	Date of grant	Exercise price HK\$	Closing price of the Shares on the date of grant HK\$	Balance as at 1 January 2015	Number of share option				Balance as at 31 December 2015
					Grant during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Mr. Shu Cewan	24 September 2013	1.270	1.270	3,000,000	-	-	-	-	3,000,000 <sup>Note</sup>
Mr. Shu Ceyuan	24 September 2013	1.270	1.270	2,000,000	-	-	-	-	2,000,000 <sup>Note</sup>
Ms. Wu Xiaowu	24 September 2013	1.270	1.270	2,000,000	-	372,000	-	-	1,628,000 <sup>Note</sup>
Mr. Zhao Lidong	24 September 2013	1.270	1.270	2,600,000	-	440,000	-	-	2,160,000 <sup>Note</sup>
Dr. Song Ming	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 <sup>Note</sup>
Mr. Lo Kwong Shun Wilson	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 <sup>Note</sup>
Prof. Shu Guoying	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 <sup>Note</sup>
Other employees of the Group	24 September 2013	1.270	1.270	57,759,712	-	3,838,000	-	12,612,943	41,308,769 <sup>Note</sup>
Total				68,859,712	-	4,650,000	-	12,612,943	51,596,769

Note:

The share options are exercisable during the following periods:

- 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
- 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
- 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.

## REPORT OF THE DIRECTORS

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES****Placing of existing Shares and subscription of new Shares in June 2015**

On 1 June 2015, the Company, Boom Win, Mr. Shu Cecheng, Nomura International (Hong Kong) Limited and Haitong International Securities Company Limited (together the "Placing Agents") entered into a placing and subscription agreement. Pursuant to the placing and subscription agreement, Boom Win has agreed to sell, and the Placing Agents have severally agreed to place a total of 327,464,000 Shares ("Sale Shares") at the placing price of HK\$1.42 per Share ("Placing"). Completion of the Placing took place on 4 June 2015.

Pursuant to the placing and subscription agreement, Boom Win has agreed to subscribe for 327,464,000 new Shares ("June Subscription Shares") at the subscription price of HK\$1.42 per Share ("Subscription"). The June Subscription Shares represented approximately 7.02% of the then existing issued share capital of the Company and approximately 6.56% of the issued share capital of the Company as enlarged by the allotment and issue of the June Subscription Shares. The June Subscription Shares were issued on 15 June 2015 and completion of the subscription took place on the same date.

The net proceeds from the subscription of the June Subscription Shares were approximately HK\$460,000,000. The net proceeds were intended to be applied by the Company for debt repayment and for general working capital purposes. As at the date of this annual report, the net proceeds have been fully utilized in compliance with the intended use of the proceeds.

**Issue of additional 2018 Senior Notes in July 2015**

On 26 September 2013, the Company issued the 13.75% senior notes due 2018 ("2018 Senior Notes") in the aggregate principal amount of US\$100 million ("Original Notes"). On 15 January 2014, the Company further issued the 2018 Senior Notes in an additional aggregate principal amount of US\$100 million ("Additional Notes in the First Tranche"), for the purpose of funding the existing and new real estate projects and general corporate purposes. Both the Original Notes and the Additional Notes in the First Tranche, which form the 2018 Senior Notes, were issued on the same terms and conditions.

On 6 July 2015, the Company issued the 2018 Senior Notes (the "Additional Notes in the Second Tranche") which consolidate and form a single class with the Original Notes and Additional Notes in the First Tranche. The Additional Notes in the Second Tranche were issued on the same terms and conditions as those of the Original Notes and the Additional Notes in the First Tranche, save for the issue date and the purchase price.

The net proceeds from the issue of the Additional Notes in the Second Tranche amounted to approximately US\$101.2 million. The Company intended to use the net proceeds to repay certain of its existing indebtedness and the remaining amount for general corporate purposes.

## REPORT OF THE DIRECTORS

**Issue of convertible notes in 2014**

The Company issued the 7.00% convertible notes due 2019 (the “Convertible Notes”) in an aggregate principal amount of US\$100 million by two tranches of US\$50 million each on 26 September 2014 and 22 October 2014 respectively. The coupon interest rate is 7% per annum, payable semi-annually in arrears on 30 March and 30 September in each year. The holders of the Convertible Notes have the option to convert the Convertible Notes into Shares at an initial conversion price of HK\$1.78 per Share (subject to adjustment). The holders of the Convertible Notes shall have the right to require the Company to redeem all or some only of such holder’s Convertible Notes 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 30 September 2019.

During the year ended 31 December 2015, the Convertible Notes were not converted into Shares. 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 2015.

**DIRECTOR’S INTERESTS IN SIGNIFICANT CONTRACTS**

No significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which 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 2015.

## REPORT OF THE DIRECTORS

**SUBSTANTIAL SHAREHOLDERS**

As of 31 December 2015, 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 2015
Boom Win	Beneficial interest <sup>(1)</sup>	2,567,148,295	51.44%
Mr. Sun Hongbing	Beneficial interest	1,112,112,000	22.29%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation <sup>(3)</sup>	261,573,034 <sup>(2)</sup>	5.24%

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 Convertible Notes.
- (3) This represents derivative interests in the underlying Shares. Pingan Real Estate (HongKong) Company Ltd. holds a direct interest in the Convertible Notes which will be convertible into 226,696,629 Shares and is owned as to 100% by Ping An Real Estate Company Ltd.. Ping An Real Estate Company Ltd. is 100% controlled by Ping An Life Insurance Company of China Ltd., Ping An Property Insurance Company of China Ltd., Shenzhen Ping An Venture Capital Investment Company Ltd. and Shenzhen Ping An Property Investment Company Ltd., collectively. Ping An Life Insurance Company of China Ltd. and Ping An Property Insurance Company of China Ltd. 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 226,696,629 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate (HongKong) Company Ltd.. Ping An UOB Fund Management Company Limited holds a direct interest in the Convertible Notes which will be convertible into 34,876,404 Shares and is 60.63% held by Ping An Trust LLC, 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 34,876,404 underlying Shares represented by the Convertible Notes directly held by Ping An UOB Fund Management Company Limited.

Save as disclosed above, as at 31 December 2015, 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 2015, 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 2015, 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.

## REPORT OF THE DIRECTORS

**CONNECTED TRANSACTIONS**

During the year ended 31 December 2015, 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 2015 are set out in note 40 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 COMPETITNG BUSINESS**

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete 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 2015.

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 2015, 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.



## REPORT OF THE DIRECTORS

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 2015 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 2015. 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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCUSSION

The Group has gradually included environmental, social and governance ("ESG") factors in its daily operations and will publish its first ESG report for the 2016 financial year. The Group's operations encompass an extensive network of stakeholders, including customers, employees, Shareholders, local communities, governments, non-governmental organisations, trade associations and suppliers. The Group will continue to commit itself to engage key stakeholders, aiming to monitor and improve our ESG performance as a responsible corporate citizen.

### Environment

During the year ended 31 December 2015, the Group has complied with the relevant applicable environmental laws and regulations. The Group has submitted environmental impact assessment reports for all the Group's projects before the commencement of construction and obtained approval from the relevant environmental protection bureau after completion. The Group has established an internal environmental management system (EMS) to manage the Group's environmental performance and seeks continuous improvement in such performance.

Committed to implement pollution control measures at construction sites, the Group aims to reduce potential environmental nuisances like noise and dust to the residents in the area during the construction period. The Group's construction sites have been equipped with water spraying system to reduce the flying dust. All water used for construction on the site will not be discharged unless being treated. Last but not least, dustbins for household waste and construction waste are arranged to encourage waste classification in site. The Group received no major fines for environmental violations in 2015. Looking into the future, we will continue to identify, assess and control potential and existing risks concerning effluent and waste treatment, and monitor all relevant environmental performances.

### Employees

Offering a comprehensive range of benefits to attract and retain talents, the Group provides an equal opportunity platform for its employees. The Board values diversity and will not allow any discrimination nor accommodate adverse labour practices. In 2015, there were no known reports of any incidence of discrimination by the Group's employees in Hong Kong and China.

During the year ended 31 December 2015, the Group had continued to increase its engagement with the Group's employees through communications channels such as in-house publication – "Wuzhou People", training programs, regular staff meetings, etc. The Group aims to create a working environment that takes into account the long-term interests of the employees.

## REPORT OF THE DIRECTORS

**Customers**

In providing excellent services to the Group's tenants, the Board strives for a high level of customer satisfaction. In 2015, we held a series of seminars and exhibitions engaging the Group's customers, creating a business ecosystem that encourages win-win. Also, to further strengthen quality assurance of the Group's projects, the Group implements an effective supply chain management, ensuring detailed documentation of the quality checks performed at different stages of the procurement process.

**Community**

The communities in which the Group operates is where the Group's customers and employees live and work. The Board is committed to social welfare development, recognising that corporate social responsibility is a long-term effort rather than a one-off philanthropic initiative. In 2015, the Group has been engaged the communities in areas such as disaster relief, poverty alleviation, education, etc. In addition to making donations to domestic charities, employees of the Group participated in a number of community activities outside work, supporting projects in their communities.

**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 2015, 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 2015.

**EVENTS AFTER THE END OF THE REPORTING PERIOD**

Details of significant events occurring after the end of the year ended 31 December 2015 are set out in note 44 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, 30 March 2016

# CORPORATE GOVERNANCE REPORT

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 has complied with the applicable code provisions of the CG Code during the year ended 31 December 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 2015 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2015 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 internal control system 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 2015, 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.

## CORPORATE GOVERNANCE REPORT

**Composition and Qualifications**

The Board comprises five executive Directors, being Mr. Shu Cecheng (Chairman), Mr. Shu Cewan (Chief Executive Officer), Mr. Shu Ceyuan, Ms. Wu Xiaowu and Mr. Zhao Lidong, 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 37 to 41.

The relationships among the members of the Board are disclosed under "Directors' Profile" on pages 37 to 41. 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.

The Company entered into a letter of appointment with its non-executive Director, Mr. Wang Wei.

Mr. Wang has been 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.

**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 2015, 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, Mr. Shu Cecheng, Mr. Shu Cewan, Mr. Shu Ceyuan, Ms. Wu Xiaowu, Mr. Zhao Lidong, Mr. Wang Wei, Dr. Song Ming, Mr. Lo Kwong Shun Wilson and Prof. Shu Guoying, had provided the company secretary of the Company with their training records for the year of 2015.

## CORPORATE GOVERNANCE REPORT

The individual training record of each Director during the year ended 31 December 2015 is set out below:

Directors	Types of continuous professional development programmes (Note)
<b>Executive Directors</b>	
Mr. Shu Cecheng	(A) and (B)
Mr. Shu Cewan	(A) and (B)
Mr. Shu Ceyuan	(A) and (B)
Ms. Wu Xiaowu	(A) and (B)
Mr. Zhao Lidong	(A) and (B)
<b>Non-executive Director</b>	
Mr. Wang Wei	(A) and (B)
<b>Independent Non-executive Directors</b>	
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.

## CORPORATE GOVERNANCE REPORT

**BOARD MEETINGS**

The Board meets on a regular basis and four meetings were held during the year ended 31 December 2015. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
<b>Executive Directors:</b>	
Mr. Shu Cecheng	2/4
Mr. Shu Cewan	2/4
Mr. Shu Ceyuan	2/4
Ms. Wu Xiaowu	4/4
Mr. Zhao Lidong	4/4
<b>Non-executive Director:</b>	
Mr. Wang Wei	1/4
<b>Independent non-executive Directors:</b>	
Dr. Song Ming	2/4
Mr. Lo Kwong Shun Wilson	2/4
Prof. Shu Guoying	2/4

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.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the Company held one general meeting. The general meeting attended by the Directors was as follows:

Directors	No. of meetings attended/ No. of meetings held
<b>Executive Directors:</b>	
Mr. Shu Cecheng	1/1
Mr. Shu Cewan	0/1
Mr. Shu Ceyuan	0/1
Ms. Wu Xiaowu	1/1
Mr. Zhao Lidong	0/1
<b>Non-executive Director:</b>	
Mr. Wang Wei	0/1
<b>Independent non-executive Directors:</b>	
Dr. Song Ming	1/1
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 2015, 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	2/2

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.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the audit committee reviewed and discussed with external auditors of the Company the Group's financial statements. 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 controls procedures 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 2015, 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 2015, 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, whose biographies are set out on pages 37 to 44 of this annual report, for the year ended 31 December 2015 are set out below:

Remuneration band	Number of individuals
Nil to RMB1,000,000	6
RMB1,000,001 to RMB2,000,000	2

## 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, 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



## CORPORATE GOVERNANCE REPORT

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 2015, 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	0/1
Mr. Lo Kwong Shun Wilson	1/1

During the year ended 31 December 2015, 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 2015, 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 RMB1,216,000 respectively.

During the year ended 31 December 2015, the total remuneration for permissible non-audit services provided by the

## CORPORATE GOVERNANCE REPORT

external auditors (including any entity under common control, ownership or management with the external auditors) amounted to RMB1,400,000. 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 senior notes offering circular dated 7 July 2015	600
– the issue of domestic corporate bond	800
Paid to PRC auditors for statutory audit services	1,216
	8,016
Less: Transaction costs included in the financial liabilities	(1,400)
Total	6,616

## INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and Shareholders' interests. During the year ended 31 December 2015, the Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls. Besides, the audit committee of the Company and the Board will also perform regular review on the Group's performance and risk management and internal control systems in order to ensure effective measures are in place to protect material assets and to identify business risks of the Group.

## 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.

Report on material uncertainties, if any, relating to events or conditions that may cast 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 66 to 67 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.

## CORPORATE GOVERNANCE REPORT

**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 2015.

**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 normally 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](http://www.hkexnews.hk)) and the Company ([www.wz-china.com](http://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 2015 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.

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
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## To the members of Wuzhou International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wuzhou International Holdings Limited (the "Company") and its subsidiaries set out on pages 68 to 164, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

**OPINION**

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

**Ernst & Young**

*Certified Public Accountants*

Hong Kong  
30 March 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	3,332,809	4,308,085
Cost of sales		(2,617,435)	(2,809,316)
<b>Gross profit</b>		<b>715,374</b>	1,498,769
Other income and gains	5	147,562	98,668
Selling and distribution expenses		(405,946)	(506,551)
Administrative expenses		(452,494)	(434,780)
Other expenses	5	(153,768)	(29,308)
Increase in fair value of investment properties	13	185,354	342,294
Finance costs	7	(369,165)	(118,483)
Share of profits and losses of associates	19(b)	(11,503)	(7,640)
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(344,586)</b>	842,969
Income tax expense	10	(216,798)	(449,254)
<b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(561,384)</b>	393,715
Attributable to:			
Owners of the parent		(481,742)	252,863
Non-controlling interests		(79,642)	140,852
		<b>(561,384)</b>	393,715
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	11		
Basic (Cents)		(9.95)	5.43
Diluted (Cents)		(9.95)	4.61

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	260,470	270,867
Investment properties	13	7,939,100	6,936,600
Other Intangible assets	17	3,914	3,939
Long-term deferred expense	18	2,416	2,351
Investments in associates	19	29,997	35,938
Available-for-sale investment	20	950	–
Deferred tax assets	21	212,855	322,825
Total non-current assets		8,449,702	7,572,520
<b>CURRENT ASSETS</b>			
Inventories		6,553	1,009
Properties under development	15	4,705,991	4,120,082
Completed properties held for sale	16	3,053,952	3,817,493
Trade receivables	22	25,738	42,994
Due from related companies	40	–	2,881
Prepaid land lease payments	14	1,222,788	1,083,543
Prepayments, deposits and other receivables	23	863,278	815,030
Tax recoverable		122,252	114,646
Restricted cash	24	154,210	88,654
Pledged deposits	24	1,391,220	534,145
Cash and cash equivalents	24	1,006,078	1,179,260
Total current assets		12,552,060	11,799,737
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	25	3,677,178	4,105,273
Other payables and accruals	26	1,036,728	947,274
Advances from customers	27	3,543,472	3,208,366
Derivative financial instruments	28	29,272	84,704
Convertible notes	30	573,578	487,774
Interest-bearing bank and other borrowings	29	2,793,739	1,299,160
Tax payable	10	733,282	897,907
Total current liabilities		12,387,249	11,030,458
<b>NET CURRENT ASSETS</b>		164,811	769,279
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,614,513	8,341,799

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	29	2,165,691	2,409,775
Senior notes	32	1,976,608	1,234,302
Deferred tax liabilities	21	456,331	486,439
Total non-current liabilities		4,598,630	4,130,516
<b>Net assets</b>			
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	31	313,354	293,026
Reserves	34	3,244,929	3,374,406
<b>Non-controlling interests</b>			
		3,558,283	3,667,432
		457,600	543,851
<b>Total equity</b>		<b>4,015,883</b>	<b>4,211,283</b>

**Shu Cecheng**  
Chairman

**Shu Cewan**  
Chief Executive Officer



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Capital reserve RMB'000	Share option reserve RMB'000	Reserve funds RMB'000 (note 34)	Retained profits RMB'000	Total RMB'000		
As at 1 January 2014	292,893	1,076,161	51,570	5,124	236,477	1,835,519	3,497,744	486,331	3,984,075
Exercise of share options	133	2,527	-	(484)	-	-	2,176	-	2,176
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	17,504	17,504
Total comprehensive income for the year	-	-	-	-	-	252,863	252,863	140,852	393,715
Acquisition of non-controlling interests	-	-	31,957	-	-	-	31,957	(54,657)	(22,700)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(46,179)	(46,179)
Appropriations to statutory surplus reserve	-	-	-	-	56,226	(56,226)	-	-	-
Equity-settled share option arrangements	-	-	-	10,811	-	-	10,811	-	10,811
Final 2013 dividend declared	-	(128,119)	-	-	-	-	(128,119)	-	(128,119)
As at 31 December 2014	293,026	950,569	83,527	15,451	292,703	2,032,156	3,667,432	543,851	4,211,283
As at 1 January 2015	293,026	950,569	83,527	15,451	292,703	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 a subsidiary (note 36)	-	-	-	-	-	-	-	(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	-	-	14,284	-	(250)	(14,034)	-	-	-
Equity-settled share option arrangements	-	-	-	6,789	-	-	6,789	-	6,789
As at 31 December 2015	313,354	1,299,010*	95,885*	21,201*	322,094*	1,506,739*	3,558,283	457,600	4,015,883

\* These reserve accounts comprise the consolidated reserves of RMB3,244,929,000 (2014: RMB3,374,406,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		(344,586)	842,969
Adjustments for:			
Finance costs	7	369,165	118,483
Share of profits and losses of associates	19(b)	11,503	7,640
Interest income	5	(22,425)	(16,971)
Depreciation	6, 12	25,178	26,595
Amortisation of intangible assets	6, 17	884	955
Amortisation of long-term deferred expenses	6, 18	1,279	1,237
Write-down of properties under development and for sale to net realisable value	6	135,665	13,917
Gain on disposal of items of property, plant and equipment		(179)	(310)
Gain on disposal of a subsidiary	5	–	(11,734)
Increase in fair value of investment properties	13	(185,354)	(342,294)
Change in fair value of derivative financial instruments	30	(55,432)	(53,023)
Equity-settled share option expense	6, 33	6,789	10,811
		(57,513)	598,275
Increase in inventories		(5,544)	(237)
Decrease/(increase) in properties under development and for sale		32,523	(2,539,085)
Disposal of investment properties	13	31,358	29,657
Additions of long-term deferred expense	18	(1,344)	(486)
Decrease/(increase) in trade receivables		17,256	(2,943)
(Increase)/decrease in prepayments, deposits and other receivables		(48,248)	23,748
Increase in prepaid land lease payments	14	(139,245)	(67,138)
(Decrease)/increase in trade and bills payables		(360,389)	1,310,621
(Increase)/decrease in restricted cash		(65,556)	90,892
Decrease/(increase) in pledged deposits		70,670	(252,452)
Increase in other payables and accruals		93,141	481,910
Increase in advances from customers		335,106	137,003
Cash used in operations		(97,785)	(190,235)
Interest received	5	22,425	16,971
Interest paid		(730,988)	(535,963)
Tax paid		(309,167)	(402,908)
Net cash flows used in operating activities		(1,115,515)	(1,112,135)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(6,279)	(42,382)
Purchases of intangible assets	17	(859)	(546)
Proceeds from disposal of items of property, plant and equipment		664	1,123
Increase in investment properties		(485,759)	(218,310)
Disposal of a subsidiary	36	(2,290)	19,866
(Increase)/decrease in an available-for-sale investment		(950)	10,000
Investment in an associate		–	(2,450)
Advances to related companies	40	(5,947)	(2,881)
Recovery of advances to related companies	40	3,266	–
Net cash flows used in investing activities		(498,154)	(235,580)

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	31	363,068	–
Exercise of share options		4,662	2,176
Net proceeds from the issuance of senior notes	32	618,973	613,214
Net proceeds from the issuance of convertible notes		–	606,476
Effect of foreign exchange rate changes, net		137,279	11,395
Capital contribution from non-controlling interests		11,000	17,504
Dividends paid		–	(128,119)
Dividends paid to non-controlling shareholders		–	(46,179)
Acquisition of non-controlling interests		(17,245)	(22,700)
Advances from related companies and a related party	40	105,119	280,000
Repayment of advances from related companies and a related party	40	(105,119)	(280,000)
(Increase)/decrease in pledged deposits		(927,745)	10,397
Proceeds from interest-bearing bank loans and other borrowings		2,849,375	3,935,800
Repayment of interest-bearing bank loans and other borrowings		(1,598,880)	(3,414,243)
Net cash flow from financing activities		1,440,487	1,585,721
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		1,179,260	941,254
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	24	2,551,508	1,802,059
Less: Restricted cash	24	154,210	88,654
Pledged deposits	24	1,391,220	534,145
Cash and cash equivalents as stated in the statement of cash flows		1,006,078	1,179,260

# NOTES TO FINANCIAL STATEMENTS

31 December 2015

## 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
<b>Directly held:</b>				
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Directly held:</b> (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
<b>Indirectly held:</b>				
Wuzhou Company Limited 五洲股份有限公司 ("Wuzhou Company")	Hong Kong/ 3 September 2014	HK\$1	100%	Investment holding
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)				
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	100%	Investment holding
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (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
煙台五洲國際商品博覽城有限公司 ("Yantai Wuzhou")	2 PRC/ 5 May 2011	RMB10,000,000	95%	Property development
大理五洲國際商業地產策劃有限公司 ("Dali Marketing Development")	2 PRC/ 22 July 2011	RMB100,000	85%	Marketing and planning of 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



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
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
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
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
江蘇五洲國際商業發展有限公司 ("Jiangsu Wuzhou")	2	PRC/ 11 July 2012	RMB20,000,000	100%	Property development
黑龍江五洲國際商貿博覽城有限公司 ("Heilongjiang Wuzhou")	2	PRC/ 23 July 2012	RMB100,000,000	100%	Property development
煙台五洲置業有限公司 ("Yantai Wuzhou")	2	PRC/ 24 July 2012	RMB20,000,000	95%	Property development
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
上海五策房地產諮詢有限公司 ("Shanghai Wuce")	2	PRC/ 26 November 2012	RMB1,000,000	85%	Marketing and planning of property development
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
無錫五洲地產有限公司 ("Wuxi Property")	2	PRC/ 9 January 2013	RMB20,000,000	80%	Property development
南通五洲商業投資有限公司 ("Nantong Commercial Investment")	2	PRC/ 10 January 2013	RMB60,000,000	95%	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
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
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\$55,000,000	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
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
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
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
無錫天澤投資有限公司 ("Wuxi Tianze Investment")	2	PRC/ 12 November 2014	RMB10,000,000	100%	Property 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%	Property 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
漳州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
哈爾濱五洲城置業有限公司 ("Haerbin Property Development")		PRC/ 30 July 2015	RMB600,000,000	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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>Indirectly held:</b> (continued)					
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
赤水五洲商業管理有限公司 ("Chishui Tongtai Commerce Management")	2	PRC/ 10 October 2015	RMB1,000,000	85%	Property management
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

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

Note 2 Registered as limited liability companies under PRC law.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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”), and 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 2015. 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 in the accounting policy for subsidiaries 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.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to IFRSs 2010-2012 Cycle*  
*Annual Improvements to IFRSs 2011-2013 Cycle*

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in 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.

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
IFRS 16	<i>Leases</i> <sup>4</sup>
Amendments to IAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IAS 7	<i>Statement of Cash Flows</i> <sup>2</sup>
Amendments to IAS 12	<i>Income Taxes</i> <sup>2</sup>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
<i>Annual Improvements</i> <i>2012-2014 Cycle</i>	<i>Amendments to a number of IFRSs</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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:

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 2015, 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 (add any other debt instruments as applicable). 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 (add any other debt instruments as applicable) upon the adoption of IFRS 9.

The amendments to IFRS 10 and IAS 28 address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

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 July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in IAS 1;
- (ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 and joint ventures 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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Business combinations and goodwill** (continued)

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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**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.

**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 comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Impairment of non-financial assets** (continued)

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 comprehensive income 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.

**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 Group or to the parent of the Group.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 comprehensive income 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:

	<b>Estimated useful life</b>	<b>Annual depreciation rate</b>
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 comprehensive income 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.

**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.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Investment properties** (continued)

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income 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 comprehensive income 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 comprehensive income.

**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.

**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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**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 comprehensive income 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 comprehensive income 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 comprehensive income 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.

**Subsequent measurement**

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Investments and other financial assets** (continued)**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 comprehensive income. 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 comprehensive income. 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 comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income 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 comprehensive income 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 comprehensive income 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 comprehensive income 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 comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 comprehensive income. 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.

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 comprehensive income.

**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 comprehensive income, is removed from other comprehensive income and recognised in the statement of comprehensive income.

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 comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 comprehensive income. 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 comprehensive income 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 comprehensive income.

**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 comprehensive income. 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Financial liabilities** (continued)**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 comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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 comprehensive income.

**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**

Senior notes 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 is 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 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 period of the senior notes using the effective interest method.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Financial liabilities** (continued)**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 comprehensive income.

**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 comprehensive income.

**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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Income tax** (continued)

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.

**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 comprehensive income 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 comprehensive income 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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.

### 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 33 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 comprehensive income 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Share-based payments** (continued)

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.

**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 comprehensive income 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. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**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 comprehensive income.

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 comprehensive income.

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.

**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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** (continued)**Judgements** (continued)**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.

**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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** (continued)**Estimation uncertainty** (continued)**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.

**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 2015 was RMB7,939,100,000 (31 December 2014: RMB6,936,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** (continued)**Estimation uncertainty** (continued)**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.

**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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

#### 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 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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**4. OPERATING SEGMENT INFORMATION** (continued)

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 2015 and 2014.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**4. OPERATING SEGMENT INFORMATION** (continued)

Year ended 31 December 2014	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue</b>					
Sales to external customers	4,074,977	163,146	135,580	(65,618)	4,308,085
<b>Segment results</b>					
	487,158	313,415	102,901	65,618	969,092
<i>Reconciliation:</i>					
Finance costs					(118,483)
Share of profits and losses of associates					(7,640)
Profit before tax					842,969
<b>Segment assets</b>					
	11,757,422	7,168,706	410,191	–	19,336,319
<i>Reconciliation:</i>					
Available-for-sale investment					–
Investments in associates					35,938
Total assets					19,372,257
<b>Segment liabilities</b>					
	14,287,390	675,082	198,502	–	15,160,974
Total liabilities					15,160,974
<b>Other segment information</b>					
Depreciation and amortisation	20,267	2,901	5,619	–	28,787
Increase in fair value of investment properties	–	342,294	–	–	342,294

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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:

	2015 RMB'000	2014 RMB'000
<b>Revenue</b>		
Sale of properties	3,084,844	4,074,977
Rental income	73,792	53,948
Commercial management service income	98,713	92,148
Property consulting service income	43,955	47,404
Property management service income	5,709	11,579
Commissions from concessionaire sale	6,750	8,528
Others	19,046	19,501
	<b>3,332,809</b>	4,308,085
<b>Other income</b>		
Subsidy income	59,911	13,126
Interest income	22,425	16,971
Gain on disposal of prepaid land lease payment	1,743	–
Gain on disposal of items of property, plant and equipment	230	365
Gain on disposal of a subsidiary (note 36)	–	11,734
Others	7,821	3,449
	<b>92,130</b>	45,645
<b>Gains</b>		
Fair value gains, net:		
Derivative instruments at fair value through profit or loss (note 30)	55,432	53,023
	<b>147,562</b>	98,668
<b>Other expenses</b>		
Foreign exchange differences (note 6)	136,850	15,009
Others	16,918	14,299
	<b>153,768</b>	29,308

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**6. (LOSS)/PROFIT BEFORE TAX**

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of properties sold	13, 16	2,348,928	2,673,187
Cost of property management service provided		4,624	10,037
Cost of property consulting service provided		21,674	25,832
Impairment loss recognised	15, 16	135,665	13,917
Depreciation	12	25,178	26,595
Amortisation of intangible assets	17	884	955
Amortisation of long-term deferred expenses	18	1,279	1,237
Auditors' remuneration		6,616	6,173
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		229,566	197,060
Equity-settled share-based payment expenses	33	6,789	10,811
Pension and social welfare		51,064	48,643
		287,419	256,514
Foreign exchange differences, net	5	136,850	15,009
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties and commercial management service provided		95,269	70,874

Note:

- \* At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2014: nil).

**7. FINANCE COSTS**

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	509,223	372,049
Interest on senior notes (note 32)	232,793	170,977
Interest on convertible notes (note 30)	57,143	20,758
Less: Interest capitalised	(429,994)	(445,301)
	369,165	118,483

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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:

	2015 RMB'000	2014 RMB'000
Fees	430	567
Other emoluments:		
Salaries, allowances and benefits in kind	3,553	5,401
Performance-related bonuses*	–	772
Equity-settled share-based payment expenses	2,947	2,431
Pension scheme contributions	168	179
	<b>6,668</b>	8,783
	<b>7,098</b>	9,350

\* 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, 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 33 to the financial statements. The fair value of these options, which has been recognised in the statement of comprehensive income 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:

	2015 RMB'000	2014 RMB'000
Dr. Song Ming	208	251
Mr. Lo Kwong Shun Wilson	111	158
Prof. Shu Guoying	111	158
	<b>430</b>	567

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**8. DIRECTORS' REMUNERATION** (continued)**(b) Executive directors 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
<b>2015</b>						
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
Chief executive and executive director:						
Mr. Shu Cewan	-	42	-	92	14	148
	-	3,168	-	2,902	168	6,238
<b>2014</b>						
Executive directors:						
Mr. Shu Cecheng	-	60	-	-	18	78
Mr. Shu Ceyuan	-	1,200	260	666	31	2,157
Ms. Wu Xiaowu	-	774	132	666	31	1,603
Mr. Zhao Lidong	-	2,944	380	521	85	3,930
	-	4,978	772	1,853	165	7,768
Chief executive and executive director:						
Mr. Shu Cewan	-	48	-	386	14	448
	-	5,026	772	2,239	179	8,216

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included two directors (2014: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	3,368	3,774
Performance-related bonuses	–	339
Equity-settled share-based payment expenses	104	605
Pension and social welfare	63	115
	<b>3,535</b>	4,833

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	
	2015	2014
Nil to RMB1,000,000	1	–
RMB1,000,001 to RMB2,000,000	2	2
RMB2,000,001 to RMB3,000,000	–	1
	<b>3</b>	3

During the year and in prior years, share options were granted to three 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 33 to the financial statements. The fair value of these options, which has been recognised in the statement of comprehensive income 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 2015.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**10. INCOME TAX** (continued)

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.

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.

	2015 RMB'000	2014 RMB'000
Current tax:		
PRC corporate income tax	42,809	239,365
PRC LAT	94,127	271,428
Deferred tax (note 21)	79,862	(61,539)
<b>Total tax charge for the year</b>	<b>216,798</b>	449,254

A reconciliation of tax expense applicable to profit 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:

	2015 RMB'000	2014 RMB'000
Profit before tax from continuing operations	(344,586)	842,969
Tax at the statutory tax rate	(86,146)	210,742
Expenses not deductible for tax	149,392	21,643
Utilisation of tax loss previously not recognised	(745)	-
Tax loss not recognised	119,260	13,541
Profits and losses attributable to associates	2,876	1,910
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	(38,434)	(2,153)
Provision for LAT	94,127	271,428
Tax effect on LAT	(23,532)	(67,857)
<b>Tax charge at the Group's effective rate</b>	<b>216,798</b>	449,254

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**10. INCOME TAX** (continued)

Tax payable in the consolidated statement of financial position represents:

	31 December 2015 RMB'000	31 December 2014 RMB'000
PRC corporate income tax payable	367,634	502,078
PRC LAT payable	365,648	395,829
Total tax payable	733,282	897,907

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,840,201,081 (2014: 4,656,229,607) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted loss per share amount is based on the 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 loss per share amounts presented for the year ended 31 December 2015 in respect of a dilution as the impact of the convertible notes had an anti-dilutive effect on the basic 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 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 per share are based on:

	2015 RMB'000	2014 RMB'000
<b>(Loss)/Earnings</b>		
(Loss)/Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	(481,742)	252,863
Interest on convertible notes	–	20,758
Less: Fair value gain on the derivative component of the convertible notes	–	53,023
(Loss)/Profit attributable to ordinary equity holders of the parent before interest on convertible notes	(481,742)	220,598

	Number of shares	
	2015	2014
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,840,201,081	4,656,229,607
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	7,576,074
Convertible notes	–	118,429,714
	4,840,201,081	4,782,235,395

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>31 December 2015</b>						
At 31 December 2014 and 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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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
<b>31 December 2014</b>						
At 1 January 2014:						
Cost	219,352	618	68,759	34,109	–	322,838
Accumulated depreciation	(13,799)	(100)	(37,318)	(15,619)	–	(66,836)
Net carrying amount	205,553	518	31,441	18,490	–	256,002
At 1 January 2014, net of accumulated depreciation						
At 1 January 2014, net of accumulated depreciation	205,553	518	31,441	18,490	–	256,002
Additions	30,250	49	4,874	7,209	–	42,382
Disposals	–	(1)	(702)	(110)	–	(813)
Disposals of a subsidiary (note 36)	–	–	(109)	–	–	(109)
Depreciation provided during the year	(5,820)	(83)	(12,745)	(7,947)	–	(26,595)
At 31 December 2014, net of accumulated depreciation	229,983	483	22,759	17,642	–	270,867
At 31 December 2014:						
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 31 December 2015, certain of the Group's buildings with a net carrying amount of approximately RMB118,695,000 (31 December 2014: RMB122,990,000) were pledged to secure general banking facilities granted to the Group (note 29).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**13. INVESTMENT PROPERTIES**

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2014	2,728,700	2,220,500	4,949,200
Additions	–	305,022	305,022
Transferred from investment properties under construction	2,274,338	(2,274,338)	–
Transferred from properties held for sale (note 16)	425,967	–	425,967
Transferred from properties under development (note 15)	133,088	810,686	943,774
Transferred to cost of properties sold (note 6)	(29,657)	–	(29,657)
Increase in fair value of investment properties	240,064	102,230	342,294
Carrying amount at 31 December 2014 and 1 January 2015	<b>5,772,500</b>	<b>1,164,100</b>	<b>6,936,600</b>
Additions	–	<b>416,867</b>	<b>416,867</b>
Transferred from investment properties under construction	<b>149,959</b>	<b>(149,959)</b>	–
Transferred from properties held for sale (note 16)	<b>79,531</b>	–	<b>79,531</b>
Transferred from properties under development (note 15)	<b>44,984</b>	<b>307,122</b>	<b>352,106</b>
Transferred to cost of properties sold (note 6)	<b>(31,358)</b>	–	<b>(31,358)</b>
Increase in fair value of investment properties	<b>(22,816)</b>	<b>208,170</b>	<b>185,354</b>
Carrying amount at 31 December 2015	<b>5,992,800</b>	<b>1,946,300</b>	<b>7,939,100</b>

The Group's investment properties were revalued on 31 December 2015 and 2014 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 38 to the financial statements.

At 31 December 2015, the Group's investment properties with a carrying value of RMB5,361,586,000 (2014: RMB3,417,724,000) were pledged to secure general banking facilities granted to the Group (note 29).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**13. INVESTMENT PROPERTIES** (continued)**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 2015 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Completed commercial properties	–	–	5,992,800	5,992,800
Commercial properties under construction	–	–	1,946,300	1,946,300
	–	–	7,939,100	7,939,100

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 (2014: 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 2014	2,728,700	2,220,500
Additions	–	305,022
Transferred from investment properties under construction	2,274,338	(2,274,338)
Transferred from properties held for sale (note 16)	425,967	–
Transferred from properties under development (note 15)	133,088	810,686
Transferred to cost of properties sold (note 6)	(29,657)	–
Net gain from a fair value adjustment recognised in profit or loss	240,064	102,230
Carrying amount at 31 December 2014 and 1 January 2015	<b>5,772,500</b>	<b>1,164,100</b>
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	<b>5,992,800</b>	<b>1,946,300</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**13. INVESTMENT PROPERTIES** (continued)

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	
			2015	2014
Commercial properties	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	<b>21 to 262</b>	14 to 261
		Discount rate	<b>4.26%</b>	4.30%
Commercial properties under construction	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	<b>23 to 77</b>	22 to 54
		Discount rate	<b>4.93%</b>	4.19%

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.

**14. PREPAID LAND LEASE PAYMENTS**

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	<b>1,083,543</b>	1,016,405
Additions during the year	<b>599,300</b>	391,147
Transferred to properties under development during the year	<b>(454,148)</b>	(324,009)
Disposal of prepaid land lease payments	<b>(5,907)</b>	–
Carrying amount at 31 December	<b>1,222,788</b>	1,083,543
Less: Current portion	<b>1,222,788</b>	1,083,543
Non-current portion	–	–

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 2015, the Group's prepaid land lease payments with an aggregate carrying amount of approximately RMB137,634,000 (2014: RMB160,881,000) were pledged to secure general banking facilities granted to the Group (note 29).



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**15. PROPERTIES UNDER DEVELOPMENT**

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	4,120,082	5,006,026
Additions during the year	2,715,041	5,627,916
Disposal of a subsidiary (note 36)	–	(9,292)
Transferred to completed properties held for sale (note 16)	(1,721,055)	(5,560,794)
Transferred to investment properties (note 13)	(352,106)	(943,774)
Transferred to property, plant and equipment (note 12)	(7,801)	–
Impairment loss recognised (note 6)	(48,170)	–
Carrying amount at 31 December	4,705,991	4,120,082

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Medium term leases	4,705,991	4,120,082

At 31 December 2015, the Group's properties under development with an aggregate carrying amount of approximately RMB1,162,669,000 (2014: RMB1,094,108,000) were pledged to secure general banking facilities granted to the Group (note 29).

**16. COMPLETED PROPERTIES HELD FOR SALE**

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	3,817,493	1,340,113
Transferred from properties under development (note 15)	1,721,055	5,560,794
Transferred to investment properties (note 13)	(79,531)	(425,967)
Transferred to cost of properties sold (note 6)	(2,317,570)	(2,643,530)
Impairment loss recognised (note 6)	(87,495)	(13,917)
Carrying amount at 31 December	3,053,952	3,817,493

At 31 December 2015, the Group's completed properties held for sale under development with an aggregate carrying amount of approximately RMB1,034,493,000 (2014: RMB1,666,438,000) were pledged to secure general banking facilities granted to the Group (note 29).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**16. COMPLETED PROPERTIES HELD FOR SALE** (continued)

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

	2015 RMB'000	2014 RMB'000
At 1 January	13,917	–
Impairment loss recognised (note 6)	87,495	13,917
Transferred to cost of properties sold	(4,157)	–
Carrying amount at 31 December	97,255	13,917

**17. OTHER INTANGIBLE ASSETS**

	2015 RMB'000	2014 RMB'000
<b>Software</b>		
At 1 January		
Cost	7,394	6,863
Accumulated amortisation	(3,455)	(2,500)
Net carrying amount	3,939	4,363
Cost at 1 January, net of accumulated amortisation	3,939	4,363
Additions	859	546
Disposals of a subsidiary (note 36)	–	(15)
Amortisation provided during the year	(884)	(955)
At 31 December, net of accumulated amortisation	3,914	3,939
At 31 December		
Cost	8,253	7,394
Accumulated amortisation	(4,339)	(3,455)
Net carrying amount	3,914	3,939

**18. LONG-TERM DEFERRED EXPENSES**

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	2,351	3,102
Additions	1,344	486
Amortisation provided during the year	(1,279)	(1,237)
Carrying amount at 31 December	2,416	2,351

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**19. INVESTMENTS IN ASSOCIATES**

	2015 RMB'000	2014 RMB'000
Share of net assets	29,997	35,938

(a) Particulars of the material 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%	Property development
Wuxi Longhe Property Co., Ltd.*	Wuxi, PRC 2009	50,000	25%	Property development
Wuxi Wuzhou Xiangjiang Housing Co., Ltd.*	Wuxi, PRC 2013	10,000	49%	Property management

(b) The following table illustrates the summarised financial information of material associates of the Group:

**Wuxi Bonan Property Co., Ltd.**

	2015 RMB'000	2014 RMB'000
Non-current assets	138,804	115,900
Current assets	196,670	224,242
Non-current liabilities	(50,950)	(70,326)
Current liabilities	(175,458)	(135,519)
Equity	109,066	134,297
Proportion of the Group's ownership	20%	20%
Carrying amount of the investment	21,813	26,859
Revenue	1,623	381
Expenses	(26,854)	(15,511)
Tax	-	3,459
Loss for the year	(25,231)	(11,671)
Group's share of loss for year	(5,046)	(2,335)

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**19. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of material associates of the Group: (continued)

**Wuxi Longhe Property Co., Ltd.**

	2015 RMB'000	2014 RMB'000
Non-current assets	683	93
Current assets	1,317,920	1,250,902
Non-current liabilities	(696,000)	(633,000)
Current liabilities	(589,869)	(579,889)
Equity	32,734	38,106
Proportion of the Group's ownership	25%	25%
Carrying amount of the investment	8,184	9,527
Revenue	-	-
Expenses	(5,372)	(3,068)
Tax	-	-
Loss for the year	(5,372)	(3,068)
Group's share of loss for year	(1,343)	(766)

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**19. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of material associates of the Group: (continued)

**Wuxi Wuzhou Xiangjiang Housing Co., Ltd.**

	2015 RMB'000	2014 RMB'000
Non-current assets	254	355
Current assets	5,953	5,548
Non-current liabilities	–	–
Current liabilities	(18,661)	(6,817)
Equity	(12,454)	(914)
Proportion of the Group's ownership	49%	49%
Group's share of accumulated loss for year	(6,102)	(448)
Due from other related parties	5,562	–
Unrecognised accumulated loss	(540)	–
Carrying amount of the investment	–	(448)
Revenue	8,345	4,260
Expenses	(19,885)	(13,523)
Tax	–	–
Loss for the year	(11,540)	(9,263)
Group's share of loss for year	(5,654)	(4,539)
Recognised loss	(5,114)	(4,539)
Unrecognised loss	(540)	–

**20. AVAILABLE-FOR-SALE INVESTMENT**

	2015 RMB'000	2014 RMB'000
Unlisted equity investment, at cost	950	–

The available-for-sale investment as at 31 December 2015 solely 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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	Total RMB'000
At 1 January 2014	81,591	51,679	8,850	90,544	136,906	–	369,570
Disposal of a subsidiary (note 36)	(1,009)	–	–	(162)	–	–	(1,171)
Deferred tax credited/ (charged) to the statement of comprehensive income during the year (note 10)	27,986	(4,325)	(6,904)	68,155	53,550	2,850	141,312
At 31 December 2014 and 1 January 2015	<b>108,568</b>	<b>47,354</b>	<b>1,946</b>	<b>158,537</b>	<b>190,456</b>	<b>2,850</b>	<b>509,711</b>
Deferred tax credited/ (charged) to the statement of comprehensive income during the year (note 10)	<b>(52,865)</b>	<b>6,817</b>	<b>(821)</b>	<b>(55,900)</b>	<b>(39,849)</b>	<b>15,300</b>	<b>(127,318)</b>
At 31 December 2015	<b>55,703</b>	<b>54,171</b>	<b>1,125</b>	<b>102,637</b>	<b>150,607</b>	<b>18,150</b>	<b>382,393</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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	Total RMB'000
At 1 January 2014	507,613	26,542	18,760	40,637	593,552
Deferred tax charged/(credited) to the statement of comprehensive income during the year (note 10)	91,755	(9,779)	–	(2,203)	79,773
At 31 December 2014 and 1 January 2015	<b>599,368</b>	<b>16,763</b>	<b>18,760</b>	<b>38,434</b>	<b>673,325</b>
Deferred tax charged/(credited) to the statement of comprehensive income during the year (note 10)	<b>(8,026)</b>	<b>(996)</b>	–	<b>(38,434)</b>	<b>(47,456)</b>
At 31 December 2015	<b>591,342</b>	<b>15,767</b>	<b>18,760</b>	–	<b>625,869</b>

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:

	<b>31 December 2015</b> RMB'000	31 December 2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>212,855</b>	322,825
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(456,331)</b>	(486,439)
	<b>(243,476)</b>	(163,614)

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**21. DEFERRED TAX** (continued)

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 國稅函 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.

As at 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB1,707,039,000 (2014: RMB1,474,100,000) that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these earnings in the foreseeable future.

**22. TRADE RECEIVABLES**

	2015 RMB'000	2014 RMB'000
Trade receivables	25,738	42,994
Impairment	-	-
	<b>25,738</b>	42,994

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 three 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.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**22. TRADE RECEIVABLES** (continued)

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:

	2015 RMB'000	2014 RMB'000
Within 3 months	19,883	36,836
4 to 6 months	5,855	6,158
	<b>25,738</b>	42,994

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	25,738	42,994

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.

**23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2015 RMB'000	2014 RMB'000
Prepayments for construction cost	66,958	41,658
Prepayments for acquisition of land use rights	100,000	72,138
Tax recoverable	156,104	140,886
Deposits	326,225	361,223
Other receivables	213,991	199,125
	<b>863,278</b>	815,030

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

	2015 RMB'000	2014 RMB'000
Cash and bank balances	2,551,508	1,802,059
Time deposits	—	—
	<b>2,551,508</b>	1,802,059
Less: Restricted cash	154,210	88,654
Pledged deposits	1,391,220	534,145
Cash and cash equivalents	<b>1,006,078</b>	1,179,260

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 2015, this restricted cash amounted to RMB154,210,000 (2014: RMB88,654,000).

As at 31 December 2015, bank deposits of RMB1,391,220,000 (2014: RMB534,145,000) were pledged as security for bank loans and other borrowings to secure banking or trust financing granted to the Group, or as collateral for issuance of bank acceptance notes.

As at 31 December 2015, 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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:

	2015 RMB'000	2014 RMB'000
Within 1 year	3,488,580	3,918,198
Over 1 year	188,598	187,075
	<b>3,677,178</b>	4,105,273

The trade and bills payables 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**

	2015 RMB'000	2014 RMB'000
Advances from third parties	180,393	126,901
Advances from non-controlling shareholders of subsidiaries	125,544	133,198
Deposits related to construction	147,812	154,122
Rental deposits	80,677	94,656
Payroll and welfare payable	22,315	28,219
Rental collection on behalf of third parties	32,887	19,064
Accruals	55,771	40,822
Business tax and surcharges	27,596	27,531
Deposits related to sales of properties	289,597	250,962
Maintenance fund	67,910	59,440
Others	6,226	12,359
	<b>1,036,728</b>	947,274

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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**

	2015 RMB'000	2014 RMB'000
Embedded derivatives in convertible notes	29,272	84,704

The derivative financial liabilities are reported at their fair values.

**29. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	1.45–8.00	2016	322,149	6.72–7.80	2015	129,000
Other loans – secured	5.22–13.50	2016	936,010	11.90–20.00	2015	32,000
Current portion of long term bank loans – secured	5.00–11.00	2016	718,700	6.40–8.84	2015	651,230
Current portion of long term other loans – secured	9.76–13.00	2016	816,880	10.70–14.50	2015	486,930
			2,793,739			1,299,160
<b>Non-current</b>						
Bank loans – secured	2.71–11.00	2024	1,945,691	6.40–9.53	2024	1,687,775
Trust financing – secured	10.70–12.20	2017	220,000	10.50–13.00	2017	722,000
			2,165,691			2,409,775
			4,959,430			3,708,935

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

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:

	2015 RMB'000	2014 RMB'000
Analysed into:		
Repayable within one year	2,793,739	1,299,160
Repayable in the second year	930,000	1,403,400
Repayable in the third to fifth years	853,116	609,775
Repayable over five years	382,575	396,600
Subtotal	2,165,691	2,409,775
	4,959,430	3,708,935

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 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment (note 12)	118,695	122,990
Investment properties (note 13)	5,361,586	3,417,724
Prepaid land lease payments (note 14)	137,634	160,881
Properties under development (note 15)	1,162,669	1,094,108
Completed properties held for sale (note 16)	1,034,493	1,666,438
Pledged deposits	964,441	1,801

In addition, the Shu Brothers pledged certain properties for certain of the Group's bank loans up to RMB80,000,000 (2014: RMB80,000,000) as at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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:

	2015 RMB'000	2014 RMB'000
Convertible Notes – Tranche 1 (“Tranche 1”) – host debt	281,374	238,285
Convertible Notes – Tranche 2 (“Tranche 2”) – host debt	292,204	249,489
	<b>573,578</b>	487,774

**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 2015, 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 derivative component, net of transaction costs allocated to the host debt component, and are subsequently measured at amortised cost.

As at 31 December 2015, the carrying amounts of the Tranche 1 and Tranche 2 were recorded under current liabilities, as the conversion option may be exercised, at the option of the holders, at any time after the Issue Date.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 for the year are as follows:

	Tranche 1 RMB'000	2015 Tranche 2 RMB'000	Total RMB'000
Host debt component at 1 January 2015	238,285	249,489	487,774
Interest expense	29,101	28,042	57,143
Exchange realignment	13,988	14,673	28,661
Host debt component at 31 December 2015	281,374	292,204	573,578
Less: amount classified as current liabilities	281,374	292,204	573,578
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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**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 2015 are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000	Total RMB'000
Embedded derivative component at beginning of year	42,352	42,352	84,704
Fair value gain recognised in profit or loss	(27,716)	(27,716)	(55,432)
Embedded derivative component at end of year	14,636	14,636	29,272

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 2015, 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**

	2015 RMB'000	2014 RMB'000
Issued and fully paid: 4,990,259,914 (2014: 4,658,145,914) ordinary shares of USD\$0.01 each	<b>313,354</b>	293,026

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 with an initial authorised share capital of US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each. On the date of incorporation, 1 ordinary share of US\$0.01 was allotted and issued by the Company to Boom Win Holdings Limited. On 13 August 2012, 3,422,161,913 ordinary shares of US\$0.01 each, credited as fully paid, were allotted and issued to Boom Win Holdings Limited.



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**31. SHARE CAPITAL** (continued)**Shares** (continued)

On 31 May 2013, 1,140,740,000 ordinary shares of USD\$0.01 each were issued under the Global Offering. The proceeds of USD\$11,407,400 (equivalent to RMB70,482,902) representing the par value of the shares issued were credited to the Company's issued capital. The remaining proceeds of HK\$1,303,223,141 (equivalent to RMB1,038,147,548), before share issue expenses, were credited to the Company's share premium account. The shares of the Company were listed on the Stock Exchange on the same date.

On 5 July 2013, 93,076,000 ordinary shares of USD\$0.01 each were issued by partial execution of over-allotment option. The proceeds of US\$930,760 (equivalent to RMB5,750,887) representing the par value of the shares issued were credited to the Company's issued capital. The remaining proceeds of HK\$106,333,430 (equivalent to RMB84,705,210), before share issue expenses, were credited to the Company's share premium account.

On 5 June 2015, 327,464,000 ordinary shares of US\$0.01 each were placed. The proceeds of US\$3,274,640 (equivalent to RMB20,043,089) representing the par value of the shares placed were credited to the Company's issued capital. The remaining proceeds of HK\$439,611,813 (equivalent to RMB343,025,332), after deducting share place expenses, were credited to the Company's share premium account.

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 2014	4,655,977,914	292,893	948,042	1,240,935
Exercise of share options	2,168,000	133	2,527	2,660
At 31 December 2014 and 1 January 2015	<b>4,658,145,914</b>	<b>293,026</b>	<b>950,569</b>	<b>1,243,595</b>
Placement of new shares	<b>327,464,000</b>	<b>20,043</b>	<b>343,025</b>	<b>363,068</b>
Exercise of share options	<b>4,650,000</b>	<b>285</b>	<b>5,416</b>	<b>5,701</b>
At 31 December 2015	<b>4,990,259,914</b>	<b>313,354</b>	<b>1,299,010</b>	<b>1,612,364</b>

**Share options**

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**32. SENIOR NOTES**

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.

On 16 January 2014, the Company issued additional 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 additional senior 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.

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 additional senior 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.

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

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	1,234,302	606,050
Additions	618,973	613,214
Exchange realignment	108,618	13,128
Interest expenses (note 7)	232,793	170,977
Coupon paid	(218,078)	(169,067)
Carrying amount at 31 December	1,976,608	1,234,302

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 2015.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**33. 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 2015, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to RMB1,046,000 (2014: RMB1,668,000).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**33. SHARE-BASED PAYMENT TRANSACTIONS** (continued)**(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.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**33. SHARE-BASED PAYMENT TRANSACTIONS** (continued)**(b) Share option scheme** (continued)

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

- (i) the closing price of HK\$1.270 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.

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

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.27	68,860	1.27	86,619
Granted during the year	1.27	–	1.27	–
Exercised during the year	1.27	(4,650)	1.27	(2,168)
Forfeited during the year	1.27	(12,613)	1.27	(15,591)
At 31 December	1.27	51,597	1.27	68,860

The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.27 per share (2014: HK\$1.27 per share).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**33. SHARE-BASED PAYMENT TRANSACTIONS** (continued)**(b) Share option scheme** (continued)

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

**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
<b>51,597</b>		

**2014**

Number of options '000	Exercise price HK\$ per share	Exercise period
19,141	1.27	14-9-24 to 17-9-23
21,308	1.27	15-9-24 to 17-9-23
28,411	1.27	16-9-24 to 17-9-23
<b>68,860</b>		

No shares were granted during 2015. The fair value of the share options granted during 2013 was HK\$33,084,001 (HK\$0.355 each), of which the Group recognised a share option expense of RMB1,783,539 during the year ended 31 December 2015 (2014: RMB9,143,341).

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**33. SHARE-BASED PAYMENT TRANSACTIONS** (continued)**(b) Share option scheme** (continued)

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.

The 4,650,000 share options exercised during the year resulted in the issue of 4,650,000 ordinary shares of the Company and new share capital of RMB285,000 (before issue expenses), as further detailed in note 31 to the financial statements.

At the end of the reporting period, the Company had 51,596,769 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 51,596,769 additional ordinary shares of US\$0.01 of the Company and additional share capital of RMB3,162,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 51,596,769 share options outstanding under the Scheme, which represented approximately 1.48% 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. The consideration of the above 15% equity interest of the Company is RMB4,500,000.

During the year ended 31 December 2015, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to RMB3,960,000.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**34. 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.

**Reserve fund**

PRC laws and regulations require wholly-owned foreign enterprises ("WFOE") 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 WFOE 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.

**Statutory surplus reserve**

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.

**35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS**

The English names of certain group companies registered in the People's Republic of China ("PRC") represent the best efforts made by management of the Company to translate their Chinese names as these companies do not have an official English name.

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

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

	2015	2014
Percentage of equity interests held by non-controlling interests:		
Nantong Wuzhou	49.0%	49.0%
Wuxi Longan	35.7%	35.7%
	2015	2014
	RMB'000	RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Nantong Wuzhou	(72,616)	67,308
Wuxi Longan	(3,296)	1,131
Accumulated balances of non-controlling interests at the reporting dates:		
Nantong Wuzhou	13,769	86,385
Wuxi Longan	210,774	214,070



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS** (continued)

Details of the Group's subsidiaries that have material non-material non-controlling interests are set out below:  
(continued)

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

	Nantong Wuzhou RMB'000	Wuxi Longan RMB'000
<b>2015</b>		
Revenue	402,013	47,675
Fair value gain	(35,307)	(2,373)
Total expense	(514,901)	(54,531)
Loss and total comprehensive income for the year	(148,195)	(9,229)
Current assets	322,705	183,065
Non-current assets	599,031	901,244
Current liabilities	(893,635)	(223,224)
Non-current liabilities	–	(270,680)
Net cash flows from operating activities	193,276	5,017
Net cash flows used in investing activities	(36,925)	(592)
Net cash flows used in financing activities	(175,095)	(61,825)
Net decrease in cash and cash equivalents	(18,744)	(57,400)
	Nantong Wuzhou RMB'000	Wuxi Longan RMB'000
<b>2014</b>		
Revenue	985,640	68,499
Fair value gain	62,603	22,408
Total expense	(910,879)	(87,738)
Profit and total comprehensive income for the year	137,364	3,169
Current assets	807,866	181,519
Non-current assets	647,361	908,676
Current liabilities	(806,015)	(170,341)
Non-current liabilities	(472,916)	(320,220)
Net cash flows from/(used in) operating activities	(58,526)	575
Net cash flows used in investing activities	(37,550)	(519)
Net cash flows from financing activities	15,402	49,009
Net (decrease)/increase in cash and cash equivalents	(80,674)	49,065

## NOTES TO FINANCIAL STATEMENTS

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**36. DISPOSAL OF A SUBSIDIARY**

	2015 RMB'000	2014 RMB'000
Net assets disposed of:		
Cash and bank balances	4,673	134
Prepayments, deposits and other receivables	-	246,771
Property, plant and equipment	-	109
Intangible assets	-	15
Deferred tax assets	-	1,171
Properties under development	-	9,292
Other payables and accruals	-	249,226
	4,673	8,266
Non-controlling interests	(2,290)	-
Gain on disposal of a subsidiary	-	11,734
Satisfied by cash	2,383	20,000

An analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015 RMB'000	2014 RMB'000
Cash consideration	2,383	20,000
Cash and bank balances disposed of	(4,673)	(134)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2,290)	19,866

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**37. CONTINGENT LIABILITIES**

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

	2015 RMB'000	2014 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	1,890,812	1,082,565

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 losses during the year 2015 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.

**38. 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	82,232	102,612
In the second to fifth years, inclusive	364,444	404,647
After five years	901,096	912,274
	<b>1,347,772</b>	1,419,533

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**38. 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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	6,005	8,815
In the second to fifth years, inclusive	3,436	6,700
Over five years	404	–
	<b>9,845</b>	15,515

**39. COMMITMENTS**

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
– Acquisition of land use rights	100,000	–
– Properties under development	2,914,066	2,950,202

**40. 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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**40. RELATED PARTY TRANSACTIONS** (continued)**(2) Related party transactions**

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

	2015 RMB'000	2014 RMB'000
(i) Advances to related companies:	<b>6,005</b>	8,815
– Wuxi Xiangjiang	<b>5,947</b>	2,652
– Wuxi Longhe	–	229
Recovery of advances to related companies:		
– Wuxi Xiangjiang	<b>3,037</b>	–
– Wuxi Longhe	<b>229</b>	–
Advances from related companies:		
– Wuzhou Investment	<b>104,319</b>	280,000
Repayment of advances from related companies:		
– Wuzhou Investment	<b>104,319</b>	280,000
(ii) Advances from a related party:		
– Ms. Qi Xueqing	<b>800</b>	–
Recovery of advances to a related party		
– Ms. Qi Xueqing	<b>800</b>	–

In addition, the Shu Brothers pledged a certain property for certain of the Group's bank loans up to RMB80,000,000 (2014: RMB80,000,000) as at the end of the reporting period.

**(3) Outstanding balances with related parties**

	31 December 2015 RMB'000	31 December 2014 RMB'000
Due from related companies:		
– Wuxi Xiangjiang	–	2,652
– Wuxi Longhe	–	229
	–	2,881

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**

	2015 RMB'000	2014 RMB'000
Short term employee benefits	<b>8,054</b>	12,131
Equity-settled share-based payment expenses	<b>560</b>	1,500
Pension scheme contributions and social welfare	<b>352</b>	403
Total compensation paid to key management personnel	<b>8,966</b>	14,034

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**41. 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 2015**

Financial assets	Loans and receivables RMB'000	Total RMB'000
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
	<b>2,791,237</b>	<b>2,791,237</b>

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
	<b>29,272</b>	<b>11,627,350</b>	<b>11,656,622</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**41. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

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

**31 December 2014**

Financial assets	Loans and receivables RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables (note 23)	199,125	199,125
Trade receivables (note 22)	42,994	42,994
Due from related companies (note 40)	2,881	2,881
Restricted cash (note 24)	88,654	88,654
Pledged deposits (note 24)	534,145	534,145
Cash and cash equivalents (note 24)	1,179,260	1,179,260
	2,047,059	2,047,059

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)	–	4,105,273	4,105,273
Financial liabilities included in other payables and accruals (note 26)	–	378,493	378,493
Derivative financial instruments (note 28)	84,704	–	84,704
Convertible notes (note 30)	–	487,774	487,774
Interest-bearing bank loans and other borrowings (note 29)	–	3,708,935	3,708,935
Senior notes (note 32)	–	1,234,302	1,234,302
	84,704	9,914,777	9,999,481

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**42. FAIR VALUE AND FAIR VALUE HIERARCHY 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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Financial liabilities</b>				
Derivative financial instruments	29,272	84,704	29,272	84,704
Interest-bearing bank borrowings	4,959,430	3,708,935	4,987,358	3,728,201
Senior notes	1,976,608	1,234,302	1,896,417	1,298,048
Convertible notes	573,578	487,774	583,603	492,168
	<b>7,538,888</b>	5,515,715	<b>7,496,650</b>	5,603,121

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, 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.

**Fair value hierarchy**

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

**Liabilities measured at fair value:**

**As at 31 December 2015**

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



## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (continued)**Fair value hierarchy** (continued)**As at 31 December 2014**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Derivative financial instruments	–	84,704	–	84,704
	–	84,704	–	84,704

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 for both financial assets and financial liabilities (2014: Nil).

**Liabilities for which fair values are disclosed:****As at 31 December 2015**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	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

**As at 31 December 2014**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Interest-bearing bank borrowings	–	3,728,201	–	3,728,201
Senior notes	1,298,048	–	–	1,298,048
Convertible notes host contract	–	–	492,168	492,168
	1,298,048	3,728,201	492,168	5,518,417

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**43. 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 2015, 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 RMB5,898,000 (2014: RMB2,665,000).

**(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
<b>Year ended 31 December 2015</b>		
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)
<b>Year ended 31 December 2014</b>		
If HK\$ weakens against RMB	-5%	(66)
If HK\$ strengthens against RMB	+5%	66
If US\$ weakens against RMB	-5%	85,078
If US\$ strengthens against RMB	+5%	(85,078)

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**43. 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 2015.

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
<b>31 December 2015</b>					
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
	<b>3,744,366</b>	<b>826,057</b>	<b>2,925,980</b>	<b>6,019,503</b>	<b>13,515,906</b>
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2014</b>					
Interest-bearing bank loans and other borrowings	–	209,144	1,387,005	2,782,057	4,378,206
Senior notes	–	84,136	84,136	1,728,618	1,896,890
Convertible notes	–	21,417	21,417	1,012,572	1,055,406
Trade and bills payables	3,571,398	213,405	320,470	–	4,105,273
Other payables	378,493	–	–	–	378,493
	<b>3,949,891</b>	<b>528,102</b>	<b>1,813,028</b>	<b>5,523,247</b>	<b>11,814,268</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**43. 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:

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
Trade and bills payables	<b>3,677,178</b>	4,105,273
Other payables and accruals	<b>1,036,728</b>	947,274
Advances from customers	<b>3,543,472</b>	3,208,366
Interest-bearing bank and other borrowings	<b>4,959,430</b>	3,708,935
Convertible notes	<b>573,578</b>	487,774
Senior notes	<b>1,976,608</b>	1,234,302
Less: Cash and cash equivalents	<b>(1,006,078)</b>	(1,179,260)
Net debt	<b>14,760,916</b>	12,512,664
Equity attributable to owners of the parent	<b>3,558,283</b>	3,667,432
Total capital and net debt	<b>18,319,199</b>	16,180,096
Gearing ratio	<b>81%</b>	77%

**44. EVENTS AFTER THE REPORTING PERIOD**

On 21 January 2016, by the approval document (Zheng Jian Xu Ke No. [2016] 152) (証監許可[2016]152號) (the "Approval"), the China Securities Regulatory Commission has approved the application of Wuxi Wuzhou International Ornamental City Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC, for the public offer and issuance of bonds to qualified investors with an aggregate nominal value of not more than RMB1.6 billion.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**45. 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:

	2015 RMB'000	2014 RMB'000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,473	80
Pledged deposits	7,182	–
Prepayments, deposits and other receivables	71	–
Due from subsidiaries	3,884,609	2,862,628
Total current assets	3,896,335	2,862,708
<b>CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowing	198,704	–
Due to subsidiaries	7,359	6,584
Other payables and accruals	1,909	216
Derivative financial instruments	29,272	84,704
Convertible notes	573,578	487,774
Total current liabilities	810,822	579,278
<b>NET CURRENT ASSETS</b>	3,085,513	2,283,430
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	3,085,513	2,283,430
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowing	135,716	–
Senior notes	1,976,608	1,234,302
Total non-current liabilities	2,112,324	1,234,302
Net assets	973,189	1,049,128
<b>EQUITY</b>		
Share capital	313,354	293,026
Reserves	659,835	756,102
Total equity	973,189	1,049,128

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

**45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY** (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Share option reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	1,076,161	5,124	(58,281)	1,023,004
Loss and total comprehensive income for the year	–	–	(151,637)	(151,637)
Exercise of share options	2,527	(484)	–	2,043
Equity-settled share-based payment arrangements	–	10,811	–	10,811
Final 2013 dividend declared	(128,119)	–	–	(128,119)
Balance at 31 December 2014	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	1,299,010	17,241	(656,416)	659,835

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.

**46. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

# FINANCIAL SUMMARY

Year ended 31 December 2015

## RESULTS

	For the year ended 31 December				
	2011 RMB'000 (Note 1)	2012 RMB'000 (Note 1)	2013 RMB'000	2014 RMB'000	2015 RMB'000
Revenue	1,515,769	2,253,240	4,049,567	4,308,085	<b>3,332,809</b>
Profit before taxation	647,376	1,262,504	1,789,185	842,969	<b>(344,586)</b>
Income tax expense	(274,108)	(508,620)	(668,944)	(449,254)	<b>(216,798)</b>
Profit for the year	373,268	753,884	1,120,241	393,715	<b>(561,384)</b>
Attributable to					
Owners of the Company	313,412	699,711	1,020,036	252,863	<b>(481,742)</b>
Non-controlling interests	59,856	54,173	100,205	140,852	<b>(279,642)</b>
	373,268	753,884	1,120,241	393,715	<b>(561,384)</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2011 RMB'000 (Note 1)	2012 RMB'000 (Note 1)	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total assets	7,330,516	10,433,785	15,421,132	19,372,257	<b>21,001,762</b>
Total liabilities	(6,078,594)	(8,788,670)	(11,437,057)	(15,160,974)	<b>16,985,879</b>
	1,251,922	1,645,115	3,984,075	4,211,283	<b>4,015,883</b>
Equity attributable to					
owners of the Company	822,588	1,319,693	3,497,744	3,667,432	<b>3,558,283</b>
Non-controlling interests	429,334	325,422	486,331	543,851	<b>457,600</b>
	1,251,922	1,645,115	3,984,075	4,211,283	<b>4,015,883</b>

Note:

- The figures for the years ended 31 December 2011 and 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	102,659.04 192.63	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 28,408.50	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%
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%



## MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
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, Huai'an, 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%
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	26,376.06	61.00%

## MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

**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%	December 2016
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 2016
3	Portion of Phase I, Qianzhou Wuzhou International Plaza, No. 777 Huizhou Avenue, Huishan District Qianzhou Street, Wuxi, Jiangsu Province	Commercial	Medium	Under construction	80.00%	June 2016
4	Portion of Phase II, Longkou Wuzhou International, Junction of Nanshan Road and Longquan Road (Muhuang Road), Longkou City, Shandong Province	Commercial	Medium	Under construction	95.00%	June 2016
5	Portion of Phase I and II, Junction of Shengtai Avenue and Tianhe Road, Jingyue Development District, Changchun City, Jilin Province	Commercial	Medium	Under construction	100.00%	December 2016
6	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
7	China Electrics & Electronic Appliance City of Wuzhou International, Land C, No. 198, Chezhan Road, Liushi Town Leqing City, Zhejiang Province	Commercial	Medium	Under construction	100.00%	June 2017



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