YIDA亿达

2016

年度報告
ANNUAL REPORT

億達中國控股有限公司
YIDA CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

股份代號 Stock Code : 3639.HK

CONTENTS

Corporate Overview

Yida China Holdings Limited (the "Company"), together with its subsidiaries (collectively referred to as the "Group"), was established in 1988 with its headquarters in Dalian. It is the largest business park developer and a leading business park operator in the PRC. It is principally engaged in the development and operation of business parks, the development and sale of multi-functional and integrated residential communities, construction, decoration, landscaping, the management of business parks and property management services. The Company was successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2014.

With its strong integration ability in urban and industrial planning and design, the Group actively participated in urban planning and design with local governments and has established strategic partnerships with several local governments. Its outstanding results and management ability in business park operation has attracted the residence of globally leading enterprises and established long-term and stable cooperation relationships with them. Its fully integrated service capabilities, with construction, landscaping, decoration and property management businesses guaranteed the services quality, the properties quality and pricing competitiveness of the Group. In addition, its management team with extensive experience and high recognition of corporate culture provides strong support to the future development of the Group.

Since 1998, the Group has led the development and operation of Dalian Software Park, Dalian BEST City Core Area Business Park ("Dalian Best City"), Wuhan First City, Yida Information Software Park, Dalian Ascendas IT Park and Dalian Tiandi. It also participated in the development and operation of Wuhan Optical Valley Software Park and Tianjin Binhai Service Outsourcing Industry Park through BOT (Build-Operate-Transfer) arrangements.

Since the second half of 2014, the Group continued in expanding its light asset business, contracted a few business parks, entrusted operation and management projects of office buildings, and consultation service projects, as well as entered into several strategic cooperation agreements in order to lay a foundation for further cooperations.

In November 2016, China Minsheng Jiaye Investment Co., Ltd ("CMJYI") acquired the shares of the Company through its wholly-owned subsidiary Jiayou (International) Investment Limited ("Jiayou"). As at the date hereof, CMJYI holds approximately 61.11% equity interest of the issued shares of the Company and is the controlling shareholder of the Company. CMJYI holds a positive attitude toward the prospects of the real estate sector and highly recognizes the Group's experience and resources in the development and operation of business parks. Looking into the future, with the vision of growing into the best business park operator in China, the Group will seek for suitable investment and development opportunities while speeding up horizontal integration, vertical expansion and output management of business parks by leveraging the strong capital operation and industry and finance integration capabilities of its controlling shareholders.

As at the end of 2016, the Group has completed its strategic outlay in terms of the development and operation of business parks in major cities such as Dalian, Wuhan, Beijing, Shanghai, Shenzhen, Suzhou, Hangzhou, Changsha, Tianjin, Hefei, Chengdu, Zhengzhou and Xi'an.

Corporate Information

Board of Directors

Executive Directors

Mr. Zhang Zhichao *(Chairman)*
Mr. Jiang Xiuwen *(Chief Executive Officer)*
Mr. Gao Wei
Mr. Chen Donghui
Ms. Ma Lan

Non-executive Directors

Mr. Sun Yansheng
Mr. Zhao Xiaodong
Mr. Chen Chao

Independent Non-executive Directors

Mr. Yip Wai Ming
Mr. Guo Shaomu
Mr. Wang Yinping
Mr. Han Gensheng

Joint Company Secretary

Ms. Wang Huiting
Ms. Kwong Yin Ping Yvonne

Authorized Representatives

Ms. Ma Lan
Ms. Wang Huiting

Board Committees

Audit Committee

Mr. Yip Wai Ming *(Chairman)*
Mr. Guo Shaomu
Mr. Wang Yinping
Mr. Han Gensheng

Remuneration Committee

Mr. Wang Yinping *(Chairman)*
Mr. Jiang Xiuwen
Mr. Guo Shaomu
Mr. Han Gensheng

Nomination Committee

Mr. Zhang Zhichao *(Chairman)*
Mr. Jiang Xiuwen
Mr. Yip Wai Ming
Mr. Wang Yinping
Mr. Han Gensheng

Registered Office

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

Headquarters in the People's Republic of China ("PRC")

Block 4, Yida Plaza
93 Northeast Road
Shahekou District
Dalian, Liaoning Province
PRC

Principal Place of Business in Hong Kong

Room 1215, 12th Floor
Building 2, Pacific Place
88 Queensway
Admiralty
Hong Kong

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, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Corporate Information (continued)

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisors

As to Hong Kong Law
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman (Cayman) Limited

Principal Bankers

The Export-Import Bank of China
China Minsheng Bank Dalian Branch
China CITIC Bank Dalian Branch
China Construction Bank Dalian Branch
Bank of China Dalian Branch

Stock Code

3639

Company's Website

www.yidachina.com

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 17 June 2014, is set out below:

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**7,004,548**	7,473,200	7,711,305	6,399,179	6,000,667
Cost of sales	**(5,460,083)**	(5,400,560)	(5,280,673)	(4,293,662)	(3,913,480)
Gross profit	**1,544,465**	2,072,640	2,430,632	2,105,517	2,087,187
Other income and gains	**660,191**	134,733	108,550	256,177	52,269
Selling and distribution costs	**(215,505)**	(210,469)	(302,206)	(304,413)	(228,476)
Administrative expenses	**(434,358)**	(386,458)	(427,116)	(449,562)	(353,221)
Other expenses	**(366,238)**	(36,708)	(165,370)	(64,314)	(87,179)
Fair value gains on investment properties	**201,219**	215,066	58,864	411,566	635,814
Finance costs	**(278,346)**	(311,004)	(190,699)	(260,464)	(92,010)
Share of profits and losses of:					
Joint ventures	**15,466**	62,975	31,543	1,540	146,214
Associates	**(96,142)**	(99,152)	(52,563)	(28,726)	40,124
PROFIT BEFORE TAX	**1,030,752**	1,441,623	1,491,635	1,667,321	2,200,722
Income tax expenses	**(456,599)**	(620,155)	(594,791)	(810,059)	(801,047)
PROFIT FOR THE YEAR	**574,153**	821,468	896,844	857,262	1,399,675
Attributable to:					
Owners of the parent	**564,000**	821,263	896,887	827,865	1,310,691
Non-controlling interests	**10,153**	205	(43)	29,397	88,984
	574,153	821,468	896,844	857,262	1,399,675

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**35,959,502**	34,518,188	36,156,451	36,662,498	36,125,255
TOTAL LIABILITIES	**(25,812,973)**	(25,109,702)	(27,177,375)	(29,671,497)	(28,936,120)
NON-CONTROLLING INTERESTS	**(274,189)**	(12,105)	(1,399)	(1,426)	(285,166)
	9,872,340	9,396,381	8,977,677	6,989,575	6,903,969

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present you the annual results of the Group for the year ended 31 December 2016 (the "Year").

Chairman
Zhang Zhichao

Results

The contracted sales amount of the Group for the year ended 31 December 2016 was about RMB8,305.0 million, representing an increase of 12.9% compared with the corresponding period of last year. During the year ended 31 December 2016, the recorded revenue of the Group was RMB7,004.55 million, representing a decrease of 6.3% compared with the corresponding period of last year, of which property rental income increased by 5.8% to RMB382.50 million. The net profit attributable to equity owners of the Company was RMB564.00 million. The core net profit after deducting fair value gains on investment properties (net of tax) was RMB413.1 million.

Chairman's Statement

Review of 2016

Continuing to follow the strategy of "asset-light combined with asset-heavy operation", the Group fully implemented the business expansion nationwide, achieving anticipated performance in all business sectors in 2016.

The simultaneous development of asset-light and asset-heavy had significant results. During the Year, there were 12 new entrusted operation projects with newly added entrusted operation area of nearly 1,106,000 sq.m.. As at 31 December 2016, there were 22 projects entrusted to the Group for operation and management with an accumulated entrusted operation area of approximately 2,360,000 sq.m.. The asset-light business began to take shape, and both the industry influence and brand awareness were improved significantly. Guided by the development strategy of "leading the development of asset-light business to actuate asset-heavy business, and developing asset-light and asset-heavy businesses, simultaneously", the Group actively developed and identified various city-industry integration projects in such strategic target cities as Wuhan, Nanjing, Changsha, Hefei, Zhengzhou and Chengdu. The business model of "Promoting city with industry and Achieving city-industry integration" was well recognized by our partners and clients.

The national expansion was basically formed. As at 31 December 2016, the Group developed its business in major cities including Beijing, Shanghai, Shenzhen, Wuhan, Suzhou, Hangzhou, Chengdu, Changsha, Tianjin, Zhengzhou, Hefei, Xi'an, Chongqing and Dalian, and initially shaped the layout in Beijing-Tianjin-Hebei Region, Yangtze River Delta, Pearl River Delta and Yangtze Economic Rims, which laid solid foundation for the rapid development of the Group.

The core capacities were further strengthened. During the Year, the Group actively prepared for the development and operation of business parks by continuously strengthening and enhancing the four core capacities of "Industry clustering, Operation and services, Business Park Development and Resources Integration".

The operation and management abilities in the business park operation and management sector continues to improve. During the Year, the Group formulated nearly 260 service standards by consolidating the detailed services to enterprises in the park. In addition, the systematization, platform and facilitation were realized on "Yizhizai" (億直在) smart platform. The gradually perfected O2O park operation service system led to a high customer satisfaction. During the Year, there were 36 new well-known enterprises, and there were over 1,200 enterprises settled in the park in total. The customers' business categories were further enriched, covering software R&D and service outsourcing, internet, internet of things, cloud computing, e-commerce, cultural creativity, new energy & new materials and other emerging strategic industries and emerging service industries. The industry hatch function was enhanced constantly, reflecting a rising trend in respect of innovative business enterprises.

The park construction standards were upgraded. The Group developed a series of construction standards for smart business parks represented by Wuhan First City project regarding combination of functions and formats, construction of office building, and intelligentization of business park, and upgraded "Yida Smart Business Park 4.0" and constructed "Smart Business Park — Yida China". The Group's brand image of "professional business park operator" (商務園區運營專家) was further generalized and widely recognized.

The effect of resources integration was outstanding. During the Year, the issuance of RMB2 billion corporate bonds was completed, which lowered the financing costs and further expanded the financing channels, and thus the corporate reputation was fully recognized by the capital market. The Group established strategic cooperation relations with several resource-based enterprises, including Beijing Capital, Jinke Property, Chengdu Industrial Investment Group (成都工投集團) and China Railway Construction Real Estate Group (中鐵建地產集團). The alliance between giants and complementing each other's advantages laid a favorable resource foundation for the rapid development of the Group's core business.

In 2016, CMJYI purchased shares of the Company through its wholly-owned subsidiary Jiayou, which held approximately 61.11% of the issued shares of the Company. Jiayou is a controlling shareholder of the Company, whose ultimate holding company is China Minsheng Investment Corp. Ltd. As of 31 December 2016, the Board has completed reorganization.

Chairman's Statement (continued)

Outlook for 2017

In 2017, the Group will continue to seize market opportunities and follow policies, uphold existing development strategies, capitalize on the competitive edge accumulated through years and continuously consolidate its leadership in the market of business park development, operation and management.

In the business park development sector, the Group will continue to ensure its leading position in Dalian market by establishing the annual development policy of "accelerating national layout, actively replenishing development resources, and rapidly destocking". The Group will continue to gear up development efforts in Wuhan, and further develop its new projects in such potential areas with good industrial development foundation. In addition, the Group will start new projects at proper time in Nanjing, Changsha, Hefei, Zhengzhou, Chengdu and other key strategic target cities to increase high-quality land reserves, and thus lay solid foundation for the development of the Company.

In the business park operation and management sector, the Group will continue to focus in the cities where it currently operates, speed up its expansion into the markets of its strategic target cities, accumulate resources from government, customers and partners, promote a rapid expansion in scale. The Group will realize the linked and complementary development of light-assets and heavy-assets business through the development strategy of "leading the development of asset-light business to actuate asset-heavy business, and developing asset-light and asset-heavy business simultaneously". Meanwhile, the Group will further improve the service platform of industrial investment and operation, explore customer service values, deeply implement the standardized and pre-set solution based on the needs of different customers. The Group will further enhance the future operation, management and service standards of business parks by using the smart business park as core reference so as to increase market competitiveness.

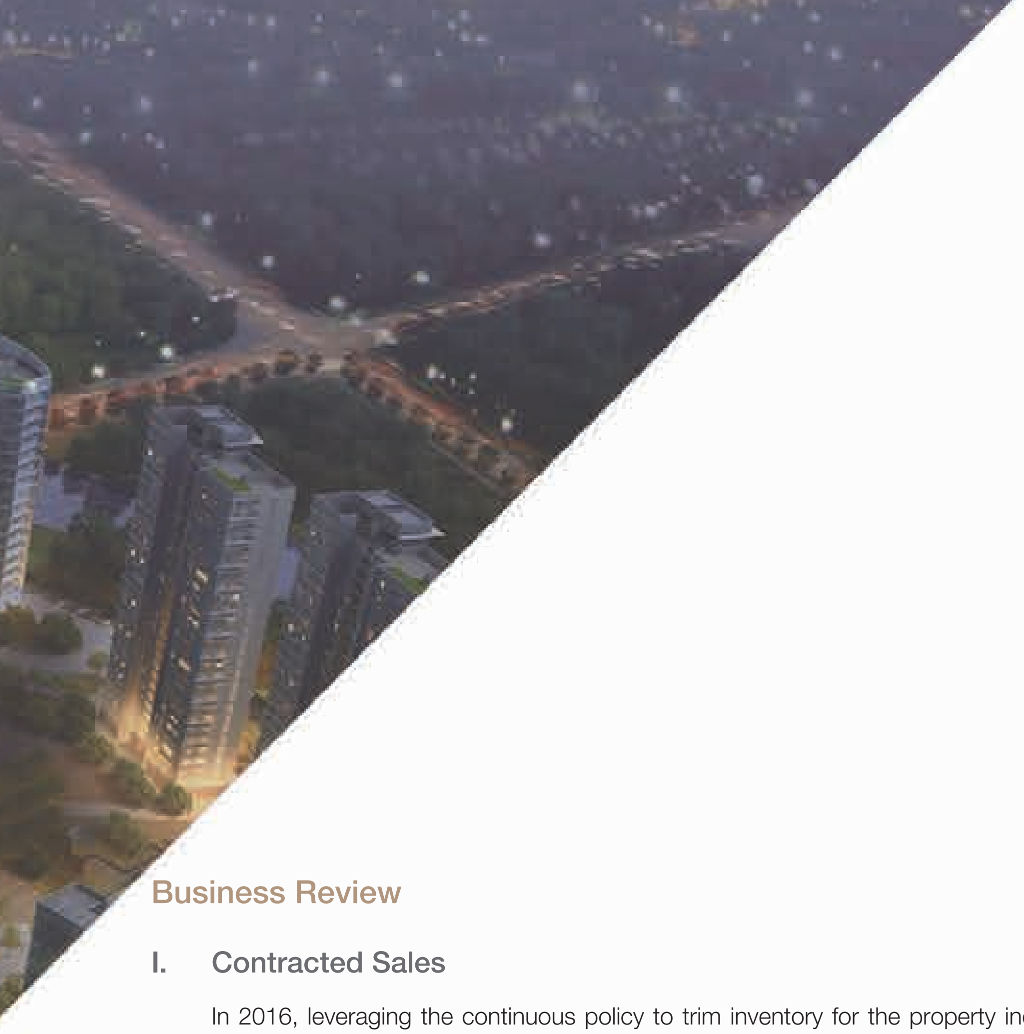
Dear shareholders, in 2017, the Group will leverage on the resources of its substantial shareholder to improve the operation and development model, interact and collaborate with CMJYI's other segments, dedicate to become "the leading business park operator in China", uphold the development strategy of "developing asset-light and asset-heavy business simultaneously" and "national expansion layout", and continue to create greater value for shareholders and society.

I hereby on behalf of the Board express our sincere gratitude to all shareholders, investors, partners and customers who supported the Group, and thank the management and employees for their unremitting efforts and contributions.

YIDA CHINA HOLDINGS LIMITED
Zhang Zhichao
Chairman

Hong Kong, 24 March 2017

Management Discussion and Analysis



Business Review

I. Contracted Sales

In 2016, leveraging the continuous policy to trim inventory for the property industry, real estate market demand was further unleashed in national hotspot cities, which showed the increasing positions of both quantity and pricing. Meanwhile, cities were more differentiated. Hotspot cities even introduced intensive regulation and control policies, and the policies regarding enterprises preventing housing bubbles in respect of landing stage financing, sales pricing and mortgage loans continued to tighten up, which resulted in a gradually steady trend of the market.

The Group's projects on sale are mainly distributed in Dalian and Wuhan. Benefited from the rigid demand brought by sound industrial development as well as improvement needs brought by attractive living environment, medical treatment and education, the real estate markets of the above cities continued to maintain satisfactory sales performance in 2016. By virtue of precise product localization and the strategic development layout for city-industry integration, the Group realized contracted sales amount of approximately RMB8,305.0 million in 2016, representing a year-on-year increase of 12.9%.

Dalian

Dalian is an important economic, trading, harbour and tourist city along the eastern coast of China. According to the data from the National Bureau of Statistics, in 2016, Dalian ranked No. 17 among all Chinese cities and No. 1 in the northeastern region in terms of GDP, with an annual increase of approximately 6.5% for its GDP. Dalian ranked No. 4 among the 40 cities in China in terms of livable index, according to Study of Livable Cities in China released by the Chinese Academy of Sciences in June 2016. Benefiting from its unique geographical location and climate environmental advantages, Dalian has a strong attraction for population.

In 2016, revenue from software and IT service industry of Dalian amounted to approximately RMB109.5 billion, representing a year-on-year increase of approximately 4.0%. The growth in the software and IT service industry continues to attract a large number of graduates to work in Dalian, which further drove the rigid demands in property market. According to the data from the researching center of CRIC*, the sales area of commodity housing of Dalian amounted to approximately 6.76 million sq.m. in 2016, representing a year-on-year increase of 20.0%. During the year, by keeping abreast with the market trend, optimizing product design and adopting new marketing strategies, the Group maintained its leading position in Dalian in terms of contracted sales, accounting for approximately 10.2% of the total contracted sales of Dalian.

* the researching center of CRIC is the professional research and development department of CRIC, a unit of E-house China.

Management Discussion and Analysis

- The Group optimized the design of the Villa Project newly launched in the year. The Group realized higher cost performance which is well received in the market and achieved faster inventory turnover by precisely targeting customer bases and refining the relationship between product design, cost and selling price, adding functional areas. As at 31 December 2016, the contracted sales of the Group was approximately RMB980 million. The Group's multi-storey apartments are always well-received in the market. The Spring Field Project launched in the year was again highly recognized in the market due to sufficient market research and further optimization of product design and proportion of various house types, achieving a contracted sales of approximately RMB380 million as at 31 December 2016.

- Efforts were made by the Group in innovating the marketing strategy and improving the integrated marketing incentives while optimizing product design and strengthening cost management and control. The Group's marketing expenses was largely reduced and the volume of transactions with customers increased due to the application of Wechat and Microblog and other self-media tools.

Yida Information Software Park • Villa

Dalian BEST City • Spring Field

Management Discussion and Analysis (continued)

Wuhan

Wuhan is a key hub for industrial, science, research and education in China. By leveraging its strengths in transportation, talents, science and research, Wuhan is gradually developing into an important economic development center in China. In December 2016, National Development and Reform Commission published the Reply on supporting the Construction of Wuhan as National Center City (《關於支持武漢建設國家中心城市的復函》). The Reply specified that Wuhan would accelerate the construction as national center city supported by its functions of national economic center, high-level scientific and technological innovation center, trade logistics center and international communication center. According to the research data of CRIC, the sales area of commodity housing in the real estate market in Wuhan was 28.81 million sq.m. in 2016, representing a year-on-year growth of approximately 33.9%, ranking No. 1 in China for three consecutive years. The sales area of office buildings was 2.04 million sq.m., representing a year-on-year growth of approximately 90.9%. There was a large demand on residential and office buildings in the real estate market in Wuhan along with its high-speed economic development.

The first residential project "Yunshan Lake" (雲山湖) in Wuhan First City of the Group was opened in 2016. The attraction of industrial atmosphere and outstanding product quality had led to the faster inventory turnover of the project. As at 31 December 2016, the turnover rate reached approximately 90%.

Commuting buses for employees of the settled enterprises in Wuhan First City

Perfect living facilities in Wuhan First City

Management Discussion and Analysis (continued)

Yida Information Software Park • Stone Valley (世通谷)

Corporate's employees purchasing offices in Wuhan First City

Under the high demand on low-density and beautiful environment and convenient living conditions combined with office conditions by active enterprises in Wuhan engaged in software and information technology, science and technology innovation, Internet and communications services, the Group increased the sales proportion of office buildings in Wuhan First City, and determined the holding and sales strategy more suitable to the market demand. The sales proportion of office buildings was determined to be around 70%. Customized design and construction were conducted as required by our customers by targeting our potential customers. As at 31 December 2016, 42 clients have purchased office buildings in Wuhan First City Phase II with the accumulative area of approximately 122,000 sq.m., including 20 office buildings delivered to clients and four office buildings settled for official business. From the perspective of the sales of residential and office buildings in Wuhan, both the business model and product quality of the Group were highly recognized by Wuhan market, which also proved the replicability of the Group's city-industry integration model once.

Since 2013, the Group has provided entrusted operation and management service for the whole industry chain for the Phase I of Wuhan First City including properties positioning, design and planning, construction agent management and business development and operation. Such service and operation commenced within a short period of time. Through over four years of operation, the park has gradually matured with complete facilities of employee apartments, restaurants, supermarkets and stadium, thus truly achieving the perfect combination of beautiful and convenient living and office space. As at 31 December 2016, 43 clients have signed agreements for the Phase I of office buildings of Wuhan First City and the occupancy rate was approximately 97%. The number of employees of the settled enterprises has reached about 6,000. The settled enterprises are dominated by those engaged in software and information technology, big data and e-commerce, technical research and development, including IBM, Philips, Kompass, Publicis and other well-known enterprises. A favorable industrial cluster effect has formed, and city-industry integration advantage has appeared in the business park, with regional value being enhanced effectively.

Management Discussion and Analysis (continued)

The contracted sales of the Group as of 31 December 2016 are as follows:

City	Property type	Sales area (sq.m.)	Sales amount (RMB0'000)	Average sale price (RMB/sq.m.)
Dalian	Residential and retail properties, car park units	523,658	629,958	12,030
Wuhan	Residential properties, office buildings, retail properties, car park units	272,037	183,368	6,741
Chengdu	Residential and retail properties, car park units	18,789	10,594	5,638
Shenyang	Residential properties	9,231	6,608	7,159
Total		823,715	830,528	10,082

Property nature	Property type	Sales area (sq.m.)	Sales amount (RMB0'000)	Average sale price (RMB/sq.m.)
Business park	Residential properties, office buildings, retail properties, car park units	711,494	708,320	9,955
Multi-functional and integrated residential communities	Residential and retail properties, car park units	112,221	122,208	10,890
Total		823,715	830,528	10,082

Management Discussion and Analysis (continued)

II. Property Owned for Lease

As at 31 December 2016, the Group developed, owned and operated six business parks. The wholly-owned projects include Dalian Software Park, Dalian BEST City Core Area Business Park ("Dalian Best City"), Yida Information Software Park, as well as Wuhan First City, Dalian Ascendas IT Park and Dalian Tiandi which are owned as to 50%, 50% and 30%, respectively. As at 31 December 2016, the gross area of completed property owned of the above parks was approximately 1.373 million sq.m., with the leasable area of approximately 1.335 million sq.m.. In 2016, the Group's rental income was approximately RMB382 million, representing an increase of 5.8% as compared to the same period in 2015.

Parks	Equity interests of the Group	Completed gross area	Leasable area (10,000 sq.m.)				Occupancy rate at the end of the Period
		(10,000 sq.m.)	Office buildings	Apartment	Retail properties	Car park units	
Dalian Software Park	100.0%	61.5	39.1	17.6	0.1	2.7	92.0%
Dalian BEST City	100.0%	13.3	9.9	—	—	3.1	62.0%
Yida Information Software Park	100.0%	8.7	6.6	—	—	1.8	80.0%
Dalian Ascendas IT Park	50.0%	20.4	17.8	—	—	2.5	85.0%
Dalian Tiandi	30.0%	33.4	20.7	3.7	4.1	3.8	83.0%

Note: The financial statements of companies subordinated by Dalian Ascendas IT Park and Dalian Tiandi are not consolidated, therefore the rental income of the Group excludes the rental income from such two parks.

Park Policies and Market

Industrial park is an important carrier for the PRC to accelerate the change of economic development mode and adjustment to industrial structure, and plays a very significant role in promoting concentrated development of industries and fostering strategic emerging industries and new economic growth points. With the transformation of Chinese economy from traditional industries to high-tech industries, industrial parks have gradually transformed from large scale comprehensive industrial parks into theme industrial parks, and parks within park specialized in different industries have also occurred in large industrial parks. The modularized and professional development of industrial parks will be conducive to the formation of industrial agglomeration effects and improvement of innovation efficiency of enterprises in the parks.

In order to enhance the comprehensive competitiveness and sustainable development capacity of industrial parks, the state has successively issued a series of supporting policies, including Dalian, Wuhan and other cities which also published the detailed matching measures of the policies.

With the implementation of these policy supporting measures, it is expected that the development and operation of business parks in Dalian and Wuhan by the Group will have positive effects.

Management Discussion and Analysis (continued)

In recent years, an increasing number of central enterprises, state-owned enterprises and financial capital have begun to be present in the industrial real estate field, showing that the government intends to promote upgrading of the industrial structure with industrial real estate. On one hand, it represents the increasing demand for office space in the business park; on the other hand, it comes with more challenges against the operation and service capabilities of the park. In particular, intelligence and knowledge intensive industries have higher requirements on the operating environment including building design, business service, policy consulting, cultural atmosphere, human resources, education and training, etc. In general, the development and operation of business parks rely on service rather than scale. The park attracts customers to settle in. What customers concern most is value enhancement brought to them by park services. This happens to be the core competitive advantages of the Group with respect to operation and management of the business park. Based on the Group's rich experience in operation and management of business parks, many local governments have the intention to cooperate with the Group and expect to achieve efficient operation of local industrial development by capitalizing upon the operation and management capability of the Group. As at 31 December 2016, out of 22 projects entrusted to the Group for operation and management, 16 were government development projects.

In 2016, the Group improved the service mode, optimized information-based management process and enhanced operation efficiency of the park by adhering to the aim of "**Optimizing Resource Allocation of the Park, Satisfying Actual Requirements of Customers, Improving High-quality Efficient Services**" (優化園區資源配置、滿足客戶實際需求、提供優質高效服務).

- During the year, the Group coordinated the use and allocation of the limited resources of each industrial park, optimized customer structure, made proper guidance for customers in the parks the potential customers in rental choices by "emptying the cage and changing the birds", and maximized the utilization of leasable area.

- Efforts have been made to continuously improve the service quality of infrastructure property in the park and meet actual requirements of customers; import customer basic information to CRM system, achieve on-line and off-line synchronization management of four intelligent modules including energy management, parking management, 400 hotline and asset management. At the same time, the Group also made efforts to deliver innovative value-deal services, thus to enhance customer operation efficiency to the greatest extent so as to lower the operation cost.

  For example, the Group took the initiative to undertake the renovation of Cisco's new office, when Cisco planned to establish its Global Support Center Dalian Branch in Dalian Software Park. After months of hard work, Cisco's office was put into operation as planned, saved a lot of cost and time for customers, and was highly praised by customers and visitors.

- The Group planned and established the "Yi Jie Hui" (億杰會) by giving full play to its years of advantages in integrating market, industrial and major customer resources so as to reinforce the management of existing major customers and potential customers. Industrial high-end entrepreneurs, investors, managers and industrial experts are pooled on "Yi Jie Hui" to set up a platform for information exchange, resource sharing and satisfying of requirements and create a nation-wide, multiple and cross-border industrial eco-circle for win-win development. In addition, efforts were made to continuously maintain the point-to-point close connection with senior managers for customers in the park, which took a deep look into current status and actual demands of customers.

  For example, based on the expansion demands of Accenture, the Group had formulated a plan where the leasing area in Yida Information Software Park may be increased, which improved the efficiency of the customers' operation, and optimized the efficiency of the use of leasing resources at the same time. Currently, Accenture has taken office in Yida Information Software Park.

Management Discussion and Analysis (continued)

- "Yizhizai", an O2O enterprise service cloud platform independently developed by the Group, started its operation during the year, which provided more convenient and more standardized services for the management of the business parks and the enterprises settled in the parks, and continuously improved the operation management service value of the Group.

Dalian Software Park

In 2016, Dalian Software Park continued to enhance its customer portfolio and arrange the utilization and allocation of park resources. The average rent for new contracted customers has been increased to RMB2.5/sq.m./day, and the rental income increased by approximately 3.33% over the corresponding period in 2015. During the year, various well-known clients were newly introduced, including Hitachi Consulting, NEC and Fujitsu. As at 31 December 2016, there were 265 enterprises settled in Dalian Software Park, including 48 Fortune Global 500 Enterprises.

In 2016, Dalian Software Park was awarded "Best Business Park in China", "Best Demonstration Business Park of Chinese City-Industry Integration Outsourcing Services" and "Best Park of Global Outsourcing Services — Top 10 in China" (全球最佳服務外包園區—中國十強).

Dalian Best City

Dalian Best City continued to enhance its basic service standard in 2016. The park has introduced various bus lines, and opened customized buses and metros to realize more rapid connection with core business circle in the city. The Metro No. 6 passing the park is now under construction and expected to provide more conveniences upon its completion and operation. As at 31 December 2016, there were 48 enterprises settled in the park, including Goodyear, CITI Software, WIPRO, Zhiyun Company and other well-known enterprises. The number of employees of the settled enterprises reached approximately 3,500. During the year, the living, sport and education facilities have become increasingly complete, and the Group has enabled staff apartments, kindergartens, primary and secondary schools, commercial plaza, lakeside mall, kindergartens, healthy and living center. The number of residents living in the park was approximately 10,000. Both the image and value of the whole region have been sharply improved as the park became increasingly mature.

Yida Information Software Park

Since the completion in 2015, Yida Information Software Park has been highly recognized by our clients due to its beautiful environment and high-level office space. Adopting the business park construction and design version 4.0 (the latest version) of the Group to be people-oriented and enhancing the ventilation and lighting, office buildings in the park satisfied the economy, safety and comfort demands of its customers. All buildings were designed with spacious rooms for flexible space and easy partitions. Six to eight oversized elevators were configured to ensure the unobstructed operation in peak hours. In addition, flexible and diverse office decoration solutions (simple decoration, exquisite decoration, office rental, customized decoration, etc) were available to enterprises to satisfy their individual working demands.

Accenture led to move in the park in December 2015. As at 31 December 2016, the number of employees of the settled enterprises reached 3,500. During the year, the Group continued to improve the basic supporting services, and opened shuttle buses, supermarkets and food court to satisfy the working and living demands of the employees of the settled enterprises.

Management Discussion and Analysis (continued)

Wuhan First City's Clients Conference

Regular Forum in Business Park

Dalian Software Park's Managers Exchange

Business Attraction Seminar

Management Discussion and Analysis (continued)

Dalian Ascendas IT Park

Located at the center of Lvshun South Road Industry Belt, sitting by the mountains and borders on the coastline and enjoying sound environment, Dalian Ascendas IT Park has become a modernized working, living and entertainment community through nearly 10 years of operation. The park provided the employees of enterprises settled in with indoor gym, outdoor stadium, food court, coffee shop, supermarket, bus and other supporting facilities. The park enjoys convenient transportation with several bus lines and a light rail line passing the park. The extended section of Metro No.1 connecting the main urban area and the Metro No. 8 connecting the Lushun District is now under construction and expected to provide more conveniences upon its completion and operation.

As at 31 December 2016, the completed leasable area of the park was approximately 203,000 sq.m., with the occupancy rate of approximately 85.0%. There were 112 settled enterprises, including FIDELITY, SoftBank, Omron and other well-known enterprises. The number of employees of the settled enterprises reached approximately 5,000.

Dalian Tiandi

Located at the core of Lvshun South Road Industry Belt, Dalian Tiandi has developed to be a low-carbon, environmentally-friendly and highly modernized fashionable working and living community through many years of operation. As at 31 December 2016, the completed leasable area of the park was approximately 323,000 sq.m., with the occupancy rate of approximately 83%. There were 12 settled enterprises. The number of employees of the settled enterprises reached 7,500.

III. Entrusted Operation and Management

By virtue of professional service system, operation management capacity, rich customer resources established over the years, the Group continued in expanding the light asset business, providing its services for the whole industry chain of light asset operation and management, covering selection of project location, product positioning, design and planning, construction agent management, business development and operation, property management and value-added services.

Benefited from the diversified entrusted operation services, the Group improved its brand value while familiarizing itself with the market, training its teams and enhancing its operation management capacity, which laid foundation for the subsequent investment and development of heavy assets of the Group.

As of 31 December 2016, the Group accepted an aggregate of 22 entrusted operation and management projects with an aggregate entrusted operation and management area of approximately 2.36 million sq.m.. In 2016, income from entrusted operation and management was approximately RMB52.75 million, representing an increase of approximately 107.0% as compared to the same period in 2015. Along with the increase in entrusted operation and management projects and consultation service projects as well as more matured operation of each project, the Group expects that more income will be derived from the above business.

Dalian Tiandi

Dalian Ascendas IT Park

Management Discussion and Analysis (continued)

As at 31 December 2016, the entrusted operation and management projects of the Group were as follow:

Cities	Projects	Project construction area (10,000 sq.m.)	Contracted operation and management area (10,000 sq.m.)	Operation and management model
Beijing	Mobile Silicon Valley Innovation Center	14.2	4.1	Sales agency, business solicitation and operation
Shanghai	YIDA North Hongqiao Entrepreneur Park	4.8	4.8	Business solicitation and operation
	Yida Waigaoqiao Business Park	1.4	1.4	Chartering
Shenzhen	Haikexing Sinovac Strategic Emerging Industrial Park	7.1	7.1	Business solicitation and operation
Wuhan	Phase 1 of Wuhan First City Industry Park	16.8	16.8	Business solicitation and operation
Changsha	Changsha Technology New Park	54.0	54.0	Sales agency, business solicitation and operation
	Meixihu Innovation Center	5.2	5.2	Business solicitation and operation
Chongqing	Liangjiang Science and Technology City	19.5	19.5	Sales agency
Chengdu	Guo Bin Headquarters Project in Chengdu	14.0	8.2	Business solicitation and operation
	Phase One of China (Mianyang) Technology City Software Industry Park	6.1	6.1	Business solicitation and operation

Management Discussion and Analysis (continued)

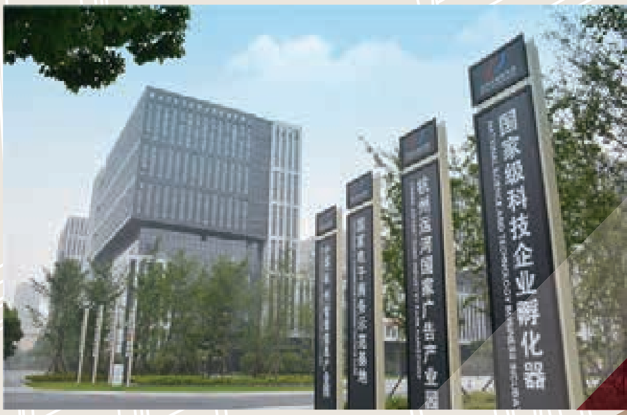
Cities	Projects	Project construction area (10,000 sq.m.)	Contracted operation and management area (10,000 sq.m.)	Operation and management model
Suzhou	Yangchenghu Digital Cultural and Creative Industry Park	17.1	5.2	Business solicitation and operation
	Kunshan Huaqiao Wealth & Intelligence Technology Park	6.5	4.1	Business solicitation and operation
	Yida Shangjinwan Headquarters Economic Park	10.3	10.3	Business solicitation and operation
	Gao Rong Building	5.6	5.6	Business solicitation and operation
	Fu Li Electricity Project	0.4	0.4	Business solicitation and operation
	Tiancheng Building	1.6	1.6	Business solicitation and operation
Hangzhou	China (Hangzhou) Wisdom Information Industry Park	32.0	15.0	Business solicitation and operation
	Inventronics Science Park	14.0	5.0	Business solicitation and operation
Tianjin	Jinwan Media Building	6.5	0.5	Business solicitation and operation
Xi'an	Collaborative Innovation Port of Feng Dong New Town	27.6	12.0	Sales agency, business solicitation and operation
Zhengzhou	Henan Outsourcing Industry Park	6.2	6.2	Sales agency, business solicitation and operation
Hefei	Yaohai City Science and Technology Park	54.8	42.5	Business solicitation and operation
Total		325.7	235.6	

Management Discussion and Analysis (continued)

Beijing Mobile Silicon Valley Innovation Center

Suzhou Kunshan Huaqiao Wealth & Intelligence Technology Park

Henan Outsourcing Industry Park



China (Hangzhou) Wisdom Information Industry Park

Guo Bin Headquarters Project in Chengdu

Hangzhou Inventronics Building

Management Discussion and Analysis (continued)

IV. Customized services

According to the market research data and customer service experience of the Group over the years, especially the summarization and analysis in the expansion of entrusted operation and management nationwide, both popularity and scale of some enterprises of the Group expanded rapidly along with the development opportunity brought by the capital market, and SMEs are increasingly desiring their own office buildings. In addition, some enterprises had special requirements on the internal structure, decoration and design of office space. Therefore, the traditional ordinary customization for lease mode failed to satisfy their needs.

The Group put forward sales model of "Customization by Headquarters" to help enterprises customize their own office buildings, and provided the whole industry chain with services covering preliminary planning and design, construction, later operation and management, supporting services, and property management.

As at 31 December 2016, the Thunisoft Dalian Research and Development Center project customized by the Group was successfully delivered and moved into Dalian BEST City.

Dalian BEST City quickly targeted its clients under the customized sales model. As at 31 December 2016, there were four contracted clients with the contracted construction area of approximately 12,000 sq.m.. The customized services achieved rapid development.

Management Discussion and Analysis (continued)

The renderings of customized industrial buildings of Dalian BEST City

V. Construction, Decoration and Landscaping

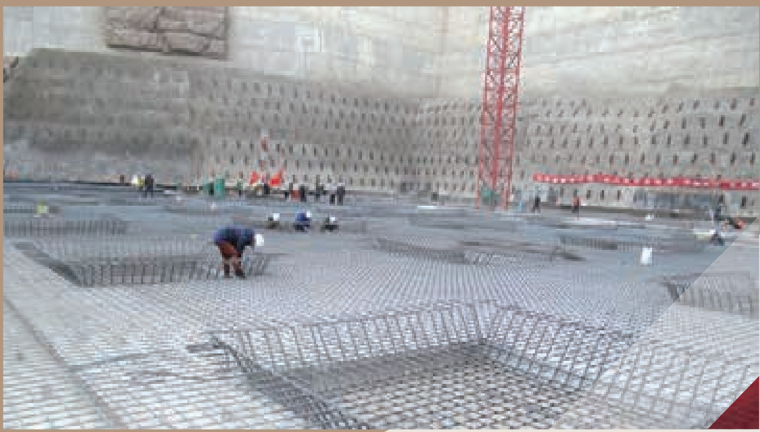
In 2016, the Group continued to strengthen the capabilities in construction, decoration and landscaping so as to lay the foundation for expanding external markets and business scale while supporting the internal business development of the Group.

Construction

The Group's construction business team strengthened communication and cooperation with Japan Sumitomo Realty & Development Co., Ltd., the Group's cooperating partner, followed Japanese construction management model and the lean method, and enhanced construction capability of its own premium projects. Meanwhile, the construction business team fully implemented the general contract strategy and product strategy, further promoted the engineering technology and production management capacity, and expanded the undertaking scale of external projects. In 2016, the newly-undertaken construction area of the Group was approximately 0.6 million sq.m., with the area under construction was 1.3 million sq.m.. The Group constantly expanded its construction business to ensure its subsequent income scale.

Yida Construction was awarded the "National Outstanding Construction Enterprise (全國優秀施工企業)" and "Liaoning Outstanding Construction Enterprise (遼寧省建築業優秀企業稱號)" in 2016, and the projects undertaken by Yida Construction was repeatedly named the "Project of High-quality Structure in Liaoning Province (遼寧省建設工程優質結構稱號)".

Management Discussion and Analysis (continued)



Lean construction by Yida Construction

Nursery base of Yida Landscaping

Management Discussion and Analysis (continued)

Decoration

The Group's decoration business company utilized the advantages of internet platforms, completed development and operation of "micro-mall" and "micro-services" and broadened customer exploration and service channels. The Group continued to optimize the decoration and design, standardize the construction management and improve the after-sales service. The Group was committed to providing its customers with high-quality living space. The Group was repeatedly awarded the national top 100 enterprises in residential decoration industry and Liaoning top 10 enterprises in residential decoration industry.

Landscaping

In 2016, adhering to the "customer-oriented and market-oriented" philosophy, the Group's landscaping services team continuously maintained the high-quality landscaping standard to constantly enrich product management models and further enhance the functionality and ornamental value of the landscaping, and closely followed the expansion pace by actively participating in the market expansion in Beijing, Tianjin, Hebei, Wuhan and other well-developed regions. By strengthening the internal management, the Group passed the system certification of quality, environment and safety, and won the "AAA" credit rating for three consecutive years. The Group's nursery bases were located in Shandong and Liaoning provinces respectively, covering an area of 2 million sq.m., which will satisfy the landscaping demands of its projects.

VI. Property Management

Residential Properties

The Group's residential property management company mainly provided the owners of residential community with property management service. Committed to creating "eased, sweet, comfortable" living space, the Group was highly recognized by the society and owners. In the satisfaction survey by a third-party institution, the service satisfaction was maintained at 90% or even above. In the evaluation of property management communities in 2016, both the Triumph Hill (天琴山) project and Ginkgo Garden (銀杏園) project managed by the Group were awarded the "Community with Excellent Quality". As at 31 December 2016, the area of residential properties under management amounted to 7.10 million sq.m..

In 2016, the Group continuously enhanced its property management capacity, and established E Surveillance Center, which became the newly-brand "Smart Management Cloud Platform" together with call center, thus realizing the comprehensive monitoring and quality control of property management. In the meantime, the operation of "E Home" APP optimized the reporting channel of owners, and formed a three-in-one problem processing network together with call center platform and customer service steward APP. In this sense, the perfect problem processing procedures were established to enhance the customer satisfaction.

Contracting ceremony of Yida Property for external management project

Management Discussion and Analysis (continued)

Yida Property • E Surveillance Center

Office Properties

With outstanding result of serving a number of Fortune Global 500 Enterprises, the Group has accumulated extensive experience in property management of office buildings. In 2016, the Group continued to improve the core capacity of office buildings and perfect the business models and standards, including financial calculation of projects in different scales, analysis of profit or loss data model and project staffing, business operation procedures and standards. Meanwhile, leveraging the distributed national network, marketing platforms and information service platforms, the Group accelerated its external expansion for property management projects of office building. During the year, the Group successfully obtained another seven property management projects of office buildings, with the management area increased by approximately 1,036,000 sq.m.. As at 31 December 2016, the area of office buildings entrusted for property management amounted to 2,960,000 sq.m. in aggregate.

Management Discussion and Analysis (continued)

VII. Land Reserves

As at 31 December 2016, the total gross floor area ("GFA") of the Group's land reserves was approximately 9.2 million sq.m., and the attributable GFA of the Group's land reserves was approximately 5.87 million sq.m..

By city	Total GFA of land reserves (sq.m.)	Proportion	Attributable GFA of land reserves (sq.m.)	Proportion
Dalian	7,799,313	84.8%	5,116,035	87.2%
Wuhan	1,294,684	14.1%	647,342	11.0%
Chengdu	57,548	0.6%	56,800	1.0%
Shenyang	49,133	0.5%	49,133	0.8%
Total	9,200,678	100.0%	5,869,310	100.0%

By location	Total GFA of land reserves (sq.m.)	Proportion	Attributable GFA of land reserves (sq.m.)	Proportion
Business park	7,272,149	79.0%	4,495,308	76.6%
Multi-functional, integrated residence	1,928,529	21.0%	1,374,002	23.4%
Total	9,200,678	100.0%	5,869,310	100.0%

Management Discussion and Analysis (continued)

The following table sets forth a breakdown of the Group's land reserves as at 31 December 2016:

Business Parks/Multi-functional, Integrated Residential Community Projects	Equity Held by the Group	GFA Completed Remaining Saleable/ Leasable (sq.m.)	GFA Under Development (sq.m.)	GFA Held for Future Development (sq.m.)
Business Parks				
Dalian Software Park				
Office Building Area	100%	594,938	—	—
Residential Area	100%	99,267	—	—
Subtotal	100%	694,205	—	—
Dalian Best City				
Office Building Area	100%	130,070	214,642	491,888
Residential Area	100%	308,149	63,538	122,206
Subtotal	100%	438,219	278,180	614,094
Wuhan First City				
Office Building Area	50%	146,681	303,746	508,501
Residential Area	50%	—	202,656	133,100
Subtotal	50%	146,681	506,402	641,601
Yida Information Software Park				
Office Building Area	100%	84,608	64,406	118,798
Residential Area	100%	202,269	356,416	—
Subtotal	100%	286,877	420,822	118,798
Dalian Ascendas IT Park				
Office Building Area	50%	202,530	—	91,918
Subtotal	50%	202,530	—	91,918
Dalian Tiandi				
Office Building Area	30%	323,000	299,655	1,267,065
Residential Area	30%	69,305	243,947	628,850
Subtotal	30%	392,305	543,602	1,895,915
Business Parks Subtotal	30%–100%	2,160,817	1,749,006	3,362,326
Multi-functional, Integrated Residential Community Projects				
Dalian	25%–100%	420,259	736,042	665,547
Shenyang	100%	28,190	20,943	—
Chengdu	80%–100%	53,811	—	3,737
Multi-functional, Integrated Residential Community Projects Subtotal	25%–100%	502,260	756,985	669,284
Total	25%–100%	2,663,077	2,505,991	4,031,610

Management Discussion and Analysis (continued)

VIII. Expansion and Cooperation

The Group strictly followed the established project selection criteria, adhered to the development concept of "leading the development of light-assets to actuate heavy-asset, and developing light-asset and heavy-asset simultaneously" and identified cities and projects which conform to the Group's strategic development so as to lay the foundation for the Group's heavy asset investment at later stages.

Leveraging the advantages brought by the above entrusted operation and management business, the Group had explored several investment and development opportunities and had carried out preliminary works for some of the projects as at 31 December 2016.

- In May 2016, the Group signed strategic investment agreements with Hubei Province United Development Investment Group Company Limited (湖北省聯發投集團) and Baibuting Group Company Limited (百步亭集團) to jointly develop the "Hankou Happiness Innovative Ecological Peninsula" (漢口幸福創新生態半島) project;

- In June 2016, the Group signed a strategic investment agreement with the Administrative Committee of High-Tech Development Zone of Zhengzhou City to jointly develop the "Zhengzhou New Best City" (鄭州科技新城) project;

- In July 2016, the Group signed a cooperation framework agreement with Chengdu Industrial Group (成都工業投資集團) to start their cooperation in industrial park business in Chengdu by establishing a joint venture company;

- In September 2016, the Group signed a cooperation agreement with the Tiebeihongshan Administrative Committee of Xuanwu District of Nanjing City (南京市玄武區鐵北紅山管委會) to jointly develop and construct the "Yida • Wisdom Innovation Community" (億達•智慧創新社區) project;

- In September 2016, the Group signed strategic cooperation agreements with Wuhan National Bio-industry Base and China Optical Valley Modern Service Industry Park (中國光谷現代服務業園) to jointly create a world-class wisdom & health industry base by constructing "Optical Valley Wisdom & Health Park" (光谷智慧健康園) in Wuhan First City;

- In addition to the above cities, the Group also carried out research and analysis of investment and development in Shanghai, Hefei, Changsha, Xi'an, etc, and sought suitable opportunities to implement comprehensive development of business parks under city-industry integration model.

Relying on the CMJYI's powerful capacity in capital operation and city-industry integration, the Group will continue to practice the enterprise vision of the best business park operator at a larger resource platform, and accelerate its expansion layout nationwide in the future.

Management Discussion and Analysis (continued)

Financial Review

Revenues

The sources of revenue of the Group primarily include (I) income from the sales of properties; (II) rental income; (III) income from providing business park operation and management services; (IV) income from providing construction, decoration and landscaping services; and (V) income from providing property management services. For the year ended 31 December 2016, the revenue of the Group was RMB7,004.55 million, representing a decrease of 6.3% from the corresponding period of last year.

The following table sets forth a breakdown of the revenue for the periods indicated:

	Year ended 31 December			
	2016		2015	
	Amount RMB'000	% of total	Amount RMB'000	% of total
Sales of properties	5,775,654	82.4%	6,275,428	84.0%
Rental income	382,497	5.5%	361,412	4.8%
Business park operation and management income	52,748	0.6%	25,482	0.3%
Construction, decoration and landscaping income	460,400	6.6%	533,800	7.2%
Property management income	333,249	4.8%	277,078	3.7%
Total	7,004,548	100%	7,473,200	100%

(1) Sales of Income

The income derived from sales of property of the Group in 2016 amounted to RMB5,775.65 million, representing a decrease of 8.0% from last year, mainly attributable to the decrease of the average sales price of property project for which income was recognized during the year.

(2) Rental Income

The rental income of the Group in 2016 was RMB382.50 million, representing an increase of 5.8% from the corresponding period of last year, mainly attributable to the increase in leased area during the year.

(3) Business Park Operation and Management Income

In the year of 2016, the income from business park operation and management services provided by the Group amounted to RMB52.75 million, representing an increase of 107.0% from the corresponding period of last year, mainly attributable to the increase in business park project with operation and management services provided during the year.

(4) Construction, Decoration and Landscaping Income

The construction, decoration and landscaping income of the Group decreased by 13.8% to approximately RMB460.40 million in 2016 from approximately RMB533.80 million in the corresponding period in 2015, which was mainly attributable to the decrease of contracted external project during the year.

(5) Property Management Service Income

The property management service income increased by 20.3% to approximately RMB333.25 million in 2016 from approximately RMB277.08 million in the corresponding period of 2015, which was mainly attributable to the increase in the area of residential properties under management, and the increase in the standard of property service fee of office buildings during the year.

Management Discussion and Analysis (continued)

Cost of Sales

The cost of sales of the Group in 2016 was approximately RMB5,460.08 million, representing an increase of 1.1% from approximately RMB5,400.56 million in 2015, which was mainly attributable to the increase in the sold area of properties and the increase in cost of properties sold revalued at fair value due to acquisitions of subsidiaries during the year.

Gross Profit and Gross Profit Margin

The gross profit of the Group in 2016 was RMB1,544.47 million, representing a decrease of 25.5% from approximately RMB2,072.64 million in 2015. The gross profit margin decreased to 22.0% in 2016 from 27.7% in 2015, which was mainly attributable to the decrease of average sales price of sales property project for which revenue was recognized and the increase in cost of properties sold revalued at fair value due to acquisitions of subsidiaries during the year. If the increased cost of properties sold revalued at fair value due to acquisitions of subsidiaries is deducted, the gross profit of the Group is approximately RMB1,781.95 million with the gross profit margin of 25.4%.

Other Income and Gains

Other income and gains of the Group include interest income, dividend income, government subsidy and other income. During 2016, other income and gains of the Group was RMB660.19 million, representing an increase of RMB525.46 million from 2015, which was mainly attributable to the gains on bargain purchases arising from the acquisition of the subsidiaries and gains on remeasurement of pre-existing interests in joint ventures to the date of obtaining control and acquisition during the year.

Sales and Marketing Costs

The sales and marketing costs of the Group was approximately RMB215.51 million in 2016, representing an increase of 2.4% from approximately RMB210.47 million in 2015, mainly attributable to the increase in sales agent and research and planning fees during the year.

Administrative Expenses

The administrative expenses of the Group increased by 12.4% to RMB434.36 million in 2016 from RMB386.46 million in 2015, which was mainly attributable to the increase of all administrative expenses resulting from increases in salaries and office expenses during the year.

Other Expenses

Other expenses of the Group include charity donation, fair value loss of derivative financial instruments and other expenses. In 2016, other expenses of the Group were RMB366.24 million, representing an increase of approximately RMB329.53 million from 2015, which was mainly due to the increase in losses of changes in fair value of put and call options during the year.

Fair Value Gains on Investment Properties

The fair value gains on investment properties of the Group decreased by 6.4% to approximately RMB212.2 million in 2016 from approximately RMB215.07 million in 2015, which was mainly due to the slight increase in fair value led by the decrease in completed industrial buildings during the year.

Finance Costs

The finance costs of the Group mainly represented the interests on borrowings that were not capitalised and such amounts decreased by 10.5% to approximately RMB278.35 million in 2016 from approximately RMB311.00 million in 2015, which was primarily attributable to the decrease of finance costs led by the decrease of loan interest rates during the year.

Share of Profits and Losses of Joint Ventures

In 2016, the Group's share of profits of joint ventures was approximately RMB15.47 million, representing a decrease of RMB47.51 million from 2015, which was mainly attributable to the decrease of share of profit of joint ventures due to the acquisition of the joint ventures, Dalian Ambo and Dalian Shitong as the subsidiaries of the Company during the year.

Share of Profits and Losses of Associates

Share of losses of associates was primarily from Richcoast Group Limited ("Richcoast Group"). In 2016, the Group's share of losses of associates was approximately RMB96.14 million, which was mainly attributable to the losses of Dalian Tiandi project which the Group held interest through Richcoast Group.

Income Tax

The income tax expenses of the Group mainly include corporate income tax, land appreciation tax and deferred income tax. The income tax expenses of the Group decreased by 26.4% to RMB456.60 million in 2016 from RMB620.16 million in 2015, which was mainly attributable to the decrease in land appreciation tax.

Profit for the year

As a result of the foregoing, the pre-tax profit of the Group decreased by 28.5% to approximately RMB1,030.75 million in 2016 from approximately RMB1,441.62 million in 2015.

The profit for the year of the Group decreased by 30.1% to approximately RMB574.15 million in 2016 from approximately RMB821.47 million in 2015.

The profit attributable to equity owners of the Group decreased by 31.3% to approximately RMB564.00 million in 2016 from approximately RMB821.26 million in 2015.

The core profit attributable to equity owners of the Group (excluding effects of fair value gains on investment properties, net of tax) decreased by 37.4% to approximately RMB413.10 million in 2016 from approximately RMB660.00 million in 2015.

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2016, the Group had cash and bank balances of approximately RMB2,931.5 million, including restricted cash of approximately RMB1,047.11 million (31 December 2015: cash and bank balances of approximately RMB3,310.72 million, and restricted cash of approximately RMB2,252.15 million).

Debts

As at 31 December 2016, the Group had bank and other borrowings of approximately RMB15,010.78 million (31 December 2015: approximately RMB16,231.04 million), of which:

(1) By loan type

	31 December 2016 RMB'000	31 December 2015 RMB'000
Secured bank loans	**7,124,488**	11,043,008
Secured other borrowings	**4,797,200**	3,987,000
Unsecured other borrowings	**3,089,087**	1,201,028
	15,010,775	16,231,036

(2) By maturity date

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year or on demand	**4,072,068**	8,263,349
In the second year	**3,660,410**	3,324,969
In the third to fifth years	**5,926,343**	3,994,668
Beyond five years	**1,351,954**	648,050
	15,010,775	16,231,036

Corporate Bonds

In March 2016, the Group successfully issued a five-year domestic corporate bonds of RMB2 billion with annual coupon rate of 6.5%, carrying an option for issuer to adjust the coupon rate and an option for investors to sell back the bonds at the end of the third year. The successful issuance of corporate bonds had reduced the overall finance costs and further expanded the financing channel.

Gearing Ratio

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was approximately 119.3% as at 31 December 2016 and 137.3% as at 31 December 2015, which was mainly attributable to the decrease in interest-bearing liabilities during the year.

Foreign Exchange Risks

The functional currency of the Group is RMB and most transactions were denominated in RMB. As at 31 December 2016, the Group had cash and bank balances (including restricted cash) of approximately RMB8.67 million and RMB1.23 million denominated in United States dollars and Hong Kong dollars, respectively. All such amounts were exposed to foreign currency risks. The Group currently has no hedging policies, but the management monitors foreign exchange risks and will consider hedging significant foreign exchange risks when necessary.

Contingent Liabilities

The Group enters into arrangements with commercial banks in China to provide mortgage facilities to its customers to purchase the Group's properties. In accordance with industry practice, the Group is required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for such mortgages are generally discharged at the earlier of: (I) registration of mortgage interest to the bank, or (II) the settlement of mortgage loans between the mortgagee banks and the purchasers. As at 31 December 2016, the Group provided a guarantee of approximately RMB516.05 million to commercial banks in China in respect of bank mortgages loans granted to the customers of the Group (31 December 2015: approximately RMB329.29 million).

In addition to guarantees the Group provided in respect of the mortgage facilities for its customers, as at 31 December 2016, the Group provided a guarantee in the amount of not exceeding RMB24 million (31 December 2015: RMB37.78 million) to the shareholders of Richcoast Group. This guarantee was provided in respect of the payment obligations of Richcoast Group to a joint venture and the joint venture partner, and such guarantee was provided in accordance with the Group's shareholding percentage.

As at 31 December 2016, the Group also provided guarantees to the extent of RMB569.22 million (31 December 2015: approximately RMB356.20 million) in respect of bank and other borrowings granted to associated companies of the Group.

As at 31 December 2016, the Group also provided guarantees to the extent of RMB468.5 million (31 December 2015: RMB1,478 million) in respect of bank and other borrowings granted to the joint ventures of the Group.

Employees and Remuneration Policies

As at 31 December 2016, the Group had 2,240 full-time employees in the PRC and Hong Kong. The Group pays remunerations to the staff based on the performances, work experience of the employees and the current market salary level. The Group regularly reviews the remuneration policy and plan and will make necessary adjustments to make it in line with the industry salary standards.

Environmental, Social and Governance Report

Environmental protection

The Group attached importance on environmental responsibility and persistently adhered to the concept of low carbon and environmental protection. The Group honored its promises of protecting environment in terms of planning and design, construction and property management and promotion of green design, energy conservation and emission reduction as well as details about property management and daily office operations.

Emission reduction

As the philosophy of green building and environmentally friendly lifestyle has been increasingly recognized and advocated, the Group began to explore green building concept many years ago and took into account environmental protection, energy conservation, low carbon and emission reduction to minimize the damages of emissions on environment from aspects of exterior walls, building equipment, roof design and heating design, etc.

On the part of planning and design of business parks, ground-source heat pump system was adopted in air-conditioners to solve heating in winter and reduce consumption of coal and air pollution. System of pump house use was reserved for garden watering, cleaning roads and washing underground garages. Independent subentry measures and automatic statistics were achieved in cold and heat source, distribution system, lighting, office facilities and energy consumption of hot water etc and statistics could be analyzed to maximize the management efficiency of energy.

For example, concrete casting was adopted in exterior walls for sound insulation, waterproof and less use of sintered bricks in the Qing Yun Tian Xia (青雲天下) project jointed funded with Sumitomo Realty and Development Co., Ltd.

In terms of property management, the Group started from the details and thus behavioral habits of employees and customers were formed to impress them with green development. Moreover, a series of measures were taken to reduce energy consumption as much as possible such as turning off light after work, reducing printing, restaurant eat-it-up campaign, cleaning and discharging exhausts and grease.

Saving resources

The Group advocated the refined decoration of residence. Building materials and construction waste could be greatly reduced when developers dealt with procurement, design and construction, etc. in a centralized way.

Yida China Holdings Limited was awarded "The Best Business Park Operator of Chinese Green Real Estate"

Environmental, Social and Governance Report (continued)

Environment and natural resources

We made emphasis on protection of mountains, natural vegetation and rare trees during the process of project planning and construction, and made advantages of mountains, lakes, surrounding areas to integrate buildings with ecological nature, thus create a more ecological road network system. Meanwhile, inevitable ecological damages caused by project development were systematically restored and impacts of project development on ecological environment were reduced.

For example, during the project construction of the Group, template engineering construction of major structures adopted large steel templates to reduce the use of wooden templates in the projects of the Group which could be recycled and ensure the quality of concrete surface so as to lessen later plastering, raw materials use and pollutant emission.

Employment and Labor Practices

Employment

In line with the principle of "Openness, Equality, Competition and Merit", the Group recruited talents who constituted diverse workforce with different professional skills in different regions. Meanwhile, the Group devoted itself to investing in staffs, cultivating and developing talents and provided them with promotional opportunities according to their professional proficiency and job performance despite nationality, color, gender, age and religious belief. The Group paid social insurance and public reserve funds for employees, provided such welfares as paid annual leave, annual physical examination and birthday gifts and evaluated their salaries to ensure competitiveness. Regulations of the Group include specific management methods of recruitment, salary, training and development.

The Group never hires child labour or force labor. The Group also reviews regularly its employment policies to ensure that such similar events will never happen.

Health and Safety

Strengthen the management of safe and civilized construction

In order to define responsibility, guarantee safety protection and treatments and reliable projects, the Group strengthened safety standardization, established and improved management system of safe and civilized construction and regularly conducted safety checks.

Measures to protect occupational health and safety

The Group adhered to "People First" and emphasized on cleanness and tidiness of residence and workplace. The Group insisted that dusts and harmful gases at construction sites should not violate state-specified standards and labor protection accord with relevant stipulations to prevent food poisoning, spread of infectious diseases, occupational diseases and endemic diseases. Specific positions required pre-job training and employment with certificates. Regulations and laws on safe production were strictly enforced and the system of staff post responsibility was established.

Team Development Activity

Staff's Birthday Activities

Environmental, Social and Governance Report (continued)

Development and Training

The Company offered staff learning and practice opportunities through multiple channels and helped them to improve their understanding on products of the Group to promote smooth execution and completion of work. To satisfy needs of specific business, the Group devised and implemented diversified training schemes, combined internal and external training and enhanced fragmentation of learning to fully arouse staffs' enthusiasm for study and improve their job skills. At the same time, recreational activities were provided for them to build cultural atmosphere of healthy work and healthy life.

Supply chain management

The Group selected suppliers through equal, fair and open tender processes and established standardized and specialized supplier management system. The Group purchased from leading suppliers building materials like painting, doors and windows and entrance doors, decorating materials like lamps and lanterns, tiles and cupboards and facilities like elevators, air-conditioners and electrical boxes in a centralized manner and signed framework agreements with suppliers. There were usually two or three suppliers qualified for purchased goods to decrease risks that single supplier could not meet the needs of projects. Meanwhile, the Group built long-term strategic partnership with well-known market suppliers to reduce intermediate links and pay timely so that material prices and costs could be reduced and profits were increased.

Responsibility for Products

The Group has a deep knowledge of that product quality is the key to satisfy the demands from market and customers, therefore always gives a strict control over the construction process of projects and take a series of policies to ensure the project quality in compliance with applicable laws and rules, reaching the advanced level at home and aboard by communicating with customers and receiving feedback from them, and optimizing the design and functional configuration.

Participated in the study of project inspection and theoretical training

Participated in the 14th Dalian International Walking Festival

Marketing staff participated in outward bound training

Environmental, Social and Governance Report (continued)

Anti-corruption

The Group paid high attention to corporate culture with honest, fairness, openness and transparency, and established a set of sound internal control policies, including Management System for Internal Audit, Reporting Management System, and Management System for Term-end Accountability Audit, to prevent corruption and fraud conducts.

The Group authorized the Audit Department the power of independent internal audit, conducted internal audit, and the Audit Department, and relevant business departments will investigate any conducts involving corruption and fraud, and report to the audit committee and the Board when appropriate. The Group will also fully cooperate with the law-enforcement authority in relevant investigating work on corruption and fraud events.

Community involvement

The Group served the community and paid back the society in various ways. The Group conducted many activities with community in 2016 to enrich cultural lives of residents, improve quality of life and create more harmonious community life. Community cultural and arts festival were held for many years, providing residents with a range of high-level art activities including artistic performance, painting and calligraphy exhibition, talent show, etc. Under the organization of the property management company, property owners held interesting sports meeting, New Year's party and other activities.

In addition, the Group organized activities for enterprises settled in the park. In 2016, Dalian Software Pak organized approximately 15 activities with approximately 600 senior managers and E Home employees participated in such activities. Cultural activities including "The Most Beautiful Yummy Mummy" (最美辣媽), "Clean Your Plate" Campaign (誰是"光盤俠") and "Most Sporty" (最運動) were organized with nearly 500 employees participated in through the combination of Wechat platform and offline activities, so as to create the community atmosphere.

Summer International Arts Festival into the community

Environmental, Social and Governance Report (continued)

Social Responsibility

Based on the principle of "Serving and Paying back the Society", the Group had been actively shouldering social responsibility, joining social activities for public good and engaging itself with educational and cultural charity activities. A range of activities of Voice of Yida initiated by the Group had been consecutively held for twenty-two times. In 2016, Summer Art Festival was successfully carried out and New Year's Concert held in Dalian, Beijing, Shanghai and Wuhan to provide nearly 52 wonderful performances and bring artistic charm closer to people. "Voice of Yida • Loving Care Music Classroom Project" initiated by the Group across Liaoning Province, Inner Mongolia, Hebei Province and Hubei Province was awarded "Excellent Public Welfare Projects of Chinese Enterprises" with 116 classrooms accumulatively donated.

2017 Voice of Yida New Year Concert


Voice of Yida • Loving Care Music Classroom in Inner Mongolia

Honors and Awards

- The Group ranked the Top 30 Real Estate Companies of China in 2016 by ParkChina.Net.
- The Group ranked the Top 50 H-Share Listed Real Estate Companies in 2016 by Chinese Business News.
- Yida Software Xincheng Company Limited, a wholly-owned subsidiary of the Company was awarded the “Innovation Award for Large Industry Incubation” by PhoenixNet and Phoenix Satellite Television.
- The Group ranked “2016 Top 5 Chinese Listed Real Estate Companies in Innovative Strength”, “2016 Top 50 Chinese Listed Real Estate Companies in Comprehensive Strength”, and “2016 Best 50 of China Real Estate Developers Brand Value” by China Real Estate Association and China Real Estate Assessment Center.
- The Group was awarded “2016 China Real Estate Fashion Award • the Best Business Park Operator of China” by 2016 Boao Real Estate Forum.
- Dalian Yida Construction Engineering Company Limited, a wholly-owned subsidiary of the Company was awarded “Excellent Construction Enterprise of Liaoning Province” and “National Excellent Construction Enterprise”. Its construction projects were awarded “High Quality Project of Liaoning Province” and “High Quality Construction Structure of Liaoning Province”.

Profile of Directors and Senior Management

Executive Directors

Mr. Zhang Zhichao (張志超), aged 55, was appointed as an executive Director and Chairman of the Company on 31 December 2016. He is also the Chairman of the Nomination Committee of the Company, responsible for the important operation decisions on the development strategy and business development of the Group . Mr. Zhang currently serves as the vice president of China Minsheng Investment Group and the chairman of the board of directors of China Minsheng Jiaye Investment Co., Ltd.. Mr. Zhang obtained a master's degree in business administration from the China Europe International Business School in 2005. Mr. Zhang had engaged in real estate investment and management for a long period of time, has extensive experience in the real estate investment industry and excellent performance in investment and had held various positions, including the general manager of the Hainan branch of China Nonferrous Metals Materials Company, general manager of the corporate management department and investment and management department of Jin Mao (Group) Company Limited, and the vice president of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited) (Hong Kong stock code: 817). Mr. Zhang is the director of Sunshine City Group Co., Ltd. (Shenzhen stock code: 000671).

Mr. Jiang Xiuwen (姜修文), aged 40, was appointed as an executive Director of the Company on 16 December 2013, and the Chief executive officer of the Group. He is also a member of both the Nomination Committee and remuneration committee of the Company, responsible for the comprehensive operating management of the Group and responsible for making decisions in relation to human resources, finance, auditing and material matters authorized by the Board. Mr. Jiang joined the Group in July 2000 and received his bachelor's degree in thermal treatment of metal from Dalian Jiaotong University (大連交通大學) in July 2000 and an executive master's degree in advanced business administration from Dalian University of Technology (大連理工大學) in July 2011. Mr. Jiang is the vice chairman of the Liaoning Commercial Federation (遼寧省工商業聯合會) and the vice chairman of the Dalian Federation of Industry and Commerce (大連工商聯合會). Mr. Jiang also won several awards, namely the "Liaoning May 1st Labour Medal" (遼寧五一勞動獎章) of the General Labor Union of Liaoning Province in 2010 and the "Model Worker" (勞動模範) by the People's Government of Liaoning Province in 2012.

Mr. Gao Wei (高煒), aged 54, was appointed as an executive Director of the Company on 16 December 2013, and the Chairman of Dalian Software Park Co., a wholly-owned subsidiary of the Group, responsible for the operating management of business parks, such as Dalian Software Park and Wuhan First City, and the expansion of national business parks project. Mr. Gao joined the Group in 1998 as the deputy chief economist of Yida Group. From March 1988 to December 1993, Mr. Gao was a lecturer in industrial economics at Dalian Management College (大連管理幹部學院), now known as Dalian Vocational and Technical College (大連職業技術學院), where he taught industrial economics, business administration and economic law. Mr. Gao was accredited as a senior economist by the Liaoning Province Department of Personnel (遼寧省人事廳) in September 1996. Mr. Gao received his bachelor's degree in applied mechanics in July 1985 and a master's degree in industrial management engineering in May 1988 from Beijing Institute of Technology (北京工業學院), now known as Beijing Institute of Technology (北京理工大學). Mr. Gao was awarded the "Model Worker Honorary Certificate of Liaoning Province" (遼寧省勞動模範榮譽證書) from the People's Government of Liaoning Province in 2012.

Mr. Chen Donghui (陳東輝), aged 44, was appointed as an executive Director of the Company on 31 December 2016, responsible for the research of business model and financial model, and the establishment of profit model. Mr. Chen holds a doctorate degree from the accounting faculty of Renmin University of China. Mr. Chen is an executive director of SRE Group Limited (Hong Kong stock code: 1207), a non-executive director of China Minsheng Drawin Technology Group Limited (Hong Kong stock code: 726) and the general manager of China Minsheng Jiaye Investment Co., Ltd.. Mr. Chen had served as the chief financial officer of China Minsheng Jiaye Investment Co., Ltd. during the period from January 2015 to October 2015. Before joining CMIG Jiaye, Mr. Chen had served as supervisor and vice supervisor of the strategic research office of the R&D center of The People's Insurance Company (Group) of China Limited, deputy general manager and then general manager of the finance and accounting department of PICC Property and Casualty Company Limited and the deputy general manager of its Jiangsu Branch, general manager of the strategic financing department of China Export & Credit Insurance Corporation, and executive director of financial sector of China Minsheng Investment Corp., Ltd.

Profile of Directors and Senior Management (continued)

Ms. Ma Lan (馬蘭), aged 45, was appointed as an executive Director of the Company on 31 December 2016. She is a vice president and the chief financial officer of the Group, responsible for the investment, financing, and investment relationship. Ms. Ma joined the Group in October 2004. Prior to joining the Group, Ms. Ma was a manager at Shanghai Youlian Strategy Management Centre (上海友聯戰略管理中心), a company principally engaged in the management of financial holding companies, where she was primarily responsible for marketing activities. Ms. Ma received her bachelor's degree in industrial economic management from Dongbei University of Finance and Economics (東北財經大學) in July 1994.

Non-Executive Directors

Mr. Sun Yansheng (孫燕生), aged 61, has been an executive Director of the Company since 16 December 2013 until his redesignation as a non-executive Director with effect from 31 December 2016. Mr. Sun joined the Group in July 1999. Prior to joining the Group, Mr. Sun was employed by Dalian Daqi Company Limited (大連大起集團有限公司), a company principally engaged in the manufacture of cranes and other heavy machinery from January 1982 to July 1999, where he last served as the deputy factory manager and deputy general manager, and he was primarily responsible for its financial management. Mr. Sun received his bachelor's degree in automation instrument from Shanghai College of Mechanics (上海機械學院), now known as the University of Shanghai for Science and Technology, in January 1982 and a master's degree in business and administration from the State University of New York in February 1991.

Mr. Zhao Xiaodong (趙曉東), aged 38, was appointed as a non-executive Director of the Company on 31 December 2016. Mr. Zhao is the non-executive director of China Minsheng Drawin Technology Group Limited (Hong Kong stock code: 726) and a deputy general manager and the Head of Treasury of China Minsheng Jiaye Investment Co., Ltd.. Mr. Zhao obtained a bachelor's degree in accounting in 2002, a master's degree in management in 2007 and a PhD degree in management in 2007. Mr. Zhao holds the qualification of certified public accountant in the PRC. Mr. Zhao has extensive experience in the construction and real estate industry and had held various positions, including the positions as a deputy general manager of the capital markets department, the general manager of the investment and development department and a deputy general manager of a subsidiary in Nanjing of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited) (Hong Kong stock code: 817), and an assistant to the chief financial officer of Country Garden Holdings Company Limited (Hong Kong stock code: 2007). From December 2015 to June 2016, he served as an executive director of SRE Group Limited (Hong Kong stock code: 1207).

Mr. Chen Chao (陳超), aged 37, was appointed as a non-executive Director of the Company on 31 December 2016. Mr. Chen is the executive director of SRE Group Limited (Hong Kong stock code: 1207), and the chief risk management officer of China Minsheng Jiaye Investment Co., Ltd.. Mr. Chen obtained a bachelor's degree in international business management from Fudan University in 2002. Mr. Chen holds the qualification of certified public accountant in the PRC. Before joining China Minsheng Jiaye Investment Co., Ltd., Mr. Chen had engaged in auditing and financial advisory work and had held various positions, including the positions as a co-director of the financial advisory department of Ernst & Young (China) and an auditing manager of KPMG (China).

Independent Non-Executive Directors

Mr. Yip Wai Ming (葉偉明), aged 52, was appointed as an independent non-executive Director of the Company on 1 June 2014. He is also the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Yip has over 20 years of experience in accounting, capital markets and corporate finance. From 1987 to 1996, Mr. Yip worked at Ernst & Young, where his last position held was senior manager. From 1996 to 1998, Mr. Yip served as an associate director of ING Bank N.V., where he was principally engaged in corporate finance. From 1999 till now, Mr. Yip has held positions in a number of companies listed on the Stock Exchange, including serving as the chief financial officer of China New Energy Power Group Limited (stock code: 1041) from 1999 to 2001; the vice president of Hi Sun Technology (China) Limited (stock code: 818) from 2001 to 2003; the chief financial officer of Haier Electronics Group Co., Ltd. (stock code: 1169) from 2004 to 2009; an independent non-executive director of Ju Teng International Holdings Limited (stock code: 3336) from 2006 till now; an independent non-executive director of BBMG Corporation (stock code: 2009) from 2009 to 2015; the deputy general manager of Yuzhou Properties Company Limited (stock code: 1628) in 2010; an independent non-executive director of PAX Global Technology Limited (stock code: 327) from 2010 till now; an independent non-executive director of Far East Horizon

Profile of Directors and Senior Management (continued)

Limited (stock code: 3360) from 2011 till now; and an independent non-executive director of Poly Culture Group Corporation Limited (stock code: 3636) from 2013 till now. Mr. Yip holds a bachelor's degree in social sciences from the University of Hong Kong and a bachelor's degree in laws from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants.

Mr. Guo Shaomu (郭少牧), aged 51, was appointed as an independent non-executive Director of the Company on 1 June 2014. He is also a member of both the audit committee and remuneration committee of the Company. Mr. Guo has over 13 years of experience in investment banking in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for marketing efforts covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. From February 2015 till now, Mr. Guo has been an independent non-executive director of Fantasia Holdings Group Co., Limited (stock code: 1777), a company listed on the Stock Exchange. Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from the University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

Mr. Wang Yinping (王引平), aged 56, was appointed as an independent non-executive Director of the Company on 31 December 2016. He is also the chairman of the remuneration committee, a member of the audit committee and nomination committee of the Company. Mr. Wang has extensive experience in corporate management. Mr. Wang joined China National Chemical Import & Export Corporation (中國化工進出口總公司) (now known as Sinochem Corporation) ("Sinochem") in 1987 until he tendered his resignation as Vice President of Sinochem in 2014. Mr. Wang had held various senior positions in Sinochem and its subsidiaries ("Sinochem Group"), including the deputy general manager of the Hainan branch of Sinochem, general manager of the Pudong branch of Sinochem, the deputy general manager of China Foreign Economic and Trade Trust Company Limited (中國對外經濟貿易信托有限公司), the general manager of the human resource department of Sinochem, the vice president of Sinochem Group, general manager of Sinochem International Trading Company Limited (now known as Sinochem International Corporation (中化國際(控股)股份有限公司)) (Shanghai stock code: 600500), the chairman of the China Foreign Economic and Trade Trust Company Limited and the chairman of the Sinochem Lantian Co., Ltd (中化藍天集團有限公司). Mr. Wang had also served as a director of the board of Bank of Communications Co., Ltd (交通銀行股份有限公司) (Hong Kong stock code: 03328) from 2001 to 2004, and non-independent Director of Zhejiang Int'l Group Co., Ltd (浙江英特集團股份有限公司) (Shenzhen stock code: 000411) from 2010 to 2014. From January 2015 to December 2016, Mr. Wang was an executive director of China Pioneer Pharma Holdings Limited (Hong Kong stock code: 1345) and was re-designated as a non-executive director in December 2016. Mr. Wang obtained a bachelor's degree in law from Renmin University of China in 1985 and a master's degree in business administration from the China Europe International Business School in 2004.

Profile of Directors and Senior Management (continued)

Mr. Han Gensheng (韓根生), aged 63, was appointed as an independent non-executive Director of the Company on 31 December 2016. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Han has extensive experience in corporate management. Mr. Han has worked in various positions since August 1978, including the director of the logistics and warehousing division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), the general manager of Sinochem International Storage & Transportation Co., Ltd (中化國際儲運有限公司), vice president of America West Pacific Refinery Co., the general manager of West Rockies Inc., the general manager of refined oil division of Sinochem Group, the vice president and a party member of Sinochem Group, the general manager of Sinochem International Oil Co., Ltd. (中化國際石油有限公司), the general manager of Sinochem Petroleum Exploration and Production Co., Ltd. (中化石油勘探開發有限公司), the general manager of Sinochem Corporation (中化股份有限公司) and a director and general manager of Sinochem Europe Holdings PLC (中化歐洲集團公司). Since October 2016, Mr. Han has been an independent non-executive director of SRE Group Limited (Hong Kong stock code: 1207). Mr. Han obtained a bachelor's degree in Ocean Transportation from Shanghai Maritime University in 1978 and had participated in one month training sessions of business administration in both the Wharton School and University of Cambridge.

Senior Management

Mr. Qin Xuesen (秦學森先生), aged 46, is a vice president of our Group. He is responsible for the design and planning, product positioning, cost control, construction management of our Group. Mr. Qin joined our Group in November 2002, as the head of quality control department of Dalian Software Park Development Co., Ltd. (大連軟件園開發有限公司) . Prior to joining us, Mr. Qin was the director of engineering at Dalian Jian-An Engineering Construction Supervision & Management Co., Ltd. (大連建安工程建設監理有限公司), a company principally engaged in building construction supervision, from December 1996 to January 2002, where he was primarily responsible for construction management. Mr. Qin was accredited as an engineer by the Liaoning Province Department of Personnel (遼寧省人事廳) in February 2002. Mr. Qin received his bachelor's degree in construction surveying at the Hohai University (河海大學) in July 1995.

Mr. Bao Hongkui (暴洪奎), aged 51, is a vice president of the Group. He is responsible for the brand operation and promotion of corporate culture work. Mr. Bao joined the Group in July 1996, as the deputy general manager, and was primarily responsible for the personnel administration and project management. He was also the vice chancellor of Neusoft University of Information (東軟信息學院) from 2005 to 2009, being responsible for enrollment and employment. Prior to joining the Group, from 1989 to 1994, Mr. Bao was the business manager of Liaoning Animal Products Import & Export Company (遼寧省畜產進出口公司), being responsible for business management. From 1994 to 1996, Mr. Bao was the general manager of China National Native Produce and Animal By-products Import and Export Corporation, Dalian branch (中國土產畜產進出口總公司大連公司), being responsible for its overall operation management. Mr. Bao received his bachelor's degree in chemistry engineering and his master of philosophy degree in science at Dalian University of Technology (大連理工大學) in July 1986 and February 1989, respectively.

Ms. Zheng Xiaohua (鄭曉華), aged 48, is the vice president of the Group, and is responsible for the financial management, financial accounting and tax planning work of the Group. Ms. Zheng joined the Group in 2003 and has been engaging in financial management so far, and served as the Chief of Finance Department of Neusoft University of Information (東軟信息學院), the chief financial officer of Dalian Software Park Co. and the chief financial officer of the Group. Before joining the Group, Ms. Zheng served as the accountant in Dalian Huaneng Onoda Cement Co., Ltd. (大連華能小野田水泥有限公司) from 1992 to 1995, and the deputy director of Dalian Daxin Tax Accountant (CPA) Firm (大連達信稅務師(會計師)事務所) from 1995 to 2002. Ms. Zheng was a financial manager in the financial department of Qingtang Industrial (Dalian) Co., Ltd. (慶堂工業(大連)有限公司) from 2002 to 2003. Ms. Zheng obtained a bachelor' degree in applied mathematics in Liaoning University in July 1992. Ms. Zheng was a member of the Chinese Institute of Certified Public Accountants and a fellow of China Certified Tax Agents Association.

Profile of Directors and Senior Management (continued)

Joint Company Secretaries

Ms. Wang Huiting (王慧婷), aged 39, is one of joint company secretaries of the Company. She joined the Group in September 2010. She is primarily responsible for the Company's compliance and other related legal work. Prior to joining the Group, Ms. Wang was the minister of the securities department of Merro Pharmaceutical Co., Ltd. (美羅藥業股份有限公司) and the deputy chief of the securities department of Dashang Co., Ltd. (大商股份有限公司), both companies of whose shares are listed on the Shanghai Stock Exchange. Ms. Wang obtained her bachelor of law degree in international economic law and her master of law degree in international law from Dalian Maritime University (大連海事大學). Ms. Wang holds a PRC legal professional qualification certificate.

Ms. Kwong Yin Ping Yvonne (鄺燕萍), is one of joint company secretaries of the Company. She is a vice president of SW Corporate Services Group Limited. She holds a degree in accountancy from the Hong Kong Polytechnic University and is a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is currently the named company secretary or joint company secretary of several companies listed on the Stock Exchange.

Directors' Report

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

Principal Activities

The Company is an investment holding company and its subsidiaries principally engage in the business of development and operation of business parks, the development and sales of multifunctional integrated residential community projects, the operation and management, construction, decoration, landscaping and the property management of business parks. There were no significant changes in nature of the Group's principal activities during the year.

Results

The results of the Group for the year ended 31 December 2016 are set out on page 81 of this annual report.

Business review

The fair review of the Group's business, the financial key performance indicators and analysis of future development of the Group are disclosed in sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. Both sections form parts of this report.

Environmental policy and performance

The Group puts emphases on environmental responsibility, always adheres to the concept of low carbon environmental protection, enhances its environmental protection performance through planning, construction and property management, and fulfills its commitment to environmental protection by actively implementing green construction design and adopting measures of energy saving and emission reduction during construction of buildings and throughout all aspects in property management and office operation. For the details, please refer to the "Environmental, Social and Governance Report" of this annual report.

Compliance with relevant laws and regulations

The Group always operates its businesses in compliance with laws and regulations. The Group closely monitors various policies and regulations promulgated by the state from time to time, in particular those in land, credit and tax associated with the production and operations of the Group, and adapts to the economic trend and the changes in the orientation of policies and regulations.

Major risks and uncertainties

The Group is mainly exposed to risks and uncertainties arising from the changes of its own operations and industry environment. Risks from own operations include cross-regional operations risk, vacant land risk, construction quality risk and human resources management risk. Risks from the industry environment include risk arising from the fluctuation of the macro economy and the industry cycle, risk of increase in costs of land, raw materials and labor, risk of changes in financial policies, risk of changes in land policies and risk of changes in tax policies.

Directors' Report (continued)

Relationships with major stakeholders

The Group encourages the participation of stakeholders, keeps in touch with stakeholders by different means and coordinates the opinions and requirements from different stakeholders. The Group regularly submits documents to the relevant regulatory authority, or receives its inspection from time to time to meet the requirements of the regulatory authority. In addition, the regulatory authority will investigate the Group's projects through investors, customers and suppliers and strengthen the mutual communication.

Dividends

The Board has recommended a payment of final dividend of RMB3.2 cents per share for the year ended 31 December 2016, payable to shareholders whose names appear in the register of members of the Company on 26 June 2017. The proposed final dividend will be payable on or around 12 July 2017, subject to the approval of the shareholders of the Company in the forthcoming annual general meeting ("AGM") to be held by the Company.

The proposed final dividend will be declared in Renminbi and paid in Hong Kong dollars. The payable final dividend will be translated into Hong Kong dollars at the average middle exchange rate for Renminbi to Hong Kong dollars as published by The People's Bank of China between 14 June 2017 and 16 June 2017.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 12 June 2017 to Friday, 16 June 2017 (both days inclusive), during such period no transfer of shares will be registered. To ascertain shareholders who are eligible to attend and vote at the AGM to be held on Friday, 16 June 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 June 2017.

The register of members of the Company will be closed from Thursday, 22 June 2017 to Monday, 26 June 2017 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for entitlement to the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 June 2017.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 5 of this annual report.

Property, Plant and Equipment and Investment Properties

The details of changes of the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the consolidated financial statements of the Group, respectively. Further details of the Group's major investment properties are set out on page 16 of this annual report.

Borrowings

Details of borrowings are set out in note 30 to the financial statements of the Group.

Reserves

The changes of reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 36 to the financial statements of the Group.

Distributable Reserves

As at 31 December 2016, the available distributable reserves of the Company was approximately RMB1,578,139,000.

Donations

The donations of the Group during the year was approximately RMB18,780,000.

Major Customers and Suppliers

For the year ended 31 December 2016, the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales for the same period and the aggregate purchases attributable to the Group's five largest suppliers was less than 30% of the Group's total purchases for the same period. None of the Directors, their close associates or any shareholder (who to the knowledge of the Directors owns more than 5% of the share capital of the Company) had any interest in the share capital of any of the five largest customers and suppliers of the Group for the year ended 31 December 2016.

Share Capital

The details of the changes in the share capital of the Company during the year are set out in note 34 to the financial statements of the Group.

Directors' Report (continued)

Purchases, Sale or Redemption of Listed Securities of the Company

During the year, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year, material acquisitions of subsidiaries of the Group were as follows.

On 18 August 2016, Sichuan Yixing Real Estate Development Company Limited (四川億興置業發展有限公司) ("Sichuan Yixing"), a wholly-owned subsidiary of the Company, Sino Delight Investments Limited (旭譽投資有限公司), and Crown Speed Investments Limited (佳際投資有限公司) (the "Vendors") entered into equity transfer agreements, pursuant to which Sichuan Yixing purchased in total of 49% of related interest of Dalian Ambo and Dalian Shitong (the "Target Companies") from the Vendors at a total consideration of RMB436,420,000 (equivalent to approximately HK$512,320,000). Immediately before the acquisitions, each of the Target Companies was held as to 51% by Sichuan Yixing, 40.06% by Crown Speed Investments Limited and 8.94% by Sino Delight Investments Limited and was accounted for as joint ventures of the Group. Upon completion of the acquisitions, each of the Target Companies became wholly-owned by Sichuan Yixing and hence an indirect wholly-owned subsidiary of the Group.

Please refer to the announcement of the Company dated 18 August 2016.

Save as disclosed above, during the year, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies.

Pre-Emptive Rights

There are no provisions for pre-emptive rights over shares of the Company under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated.

Professional Tax Advice Recommended

If Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult a professional adviser.

Permitted Indemnity Provision

The Articles of Association of the Company provide that each Director, secretary or other senior officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them may incur or sustain in or about the execution of the duties in their respective offices. The Company has taken out and maintained appropriate insurance to cover potential legal actions against its Directors. Save as disclosed in this report, the Company has not come into any permitted indemnity provision with the Directors.

Share Option Scheme

The Company adopted a share option scheme on 1 June 2014 (the "Share Option Scheme"). During the period from the date of adoption to 31 December 2016, no share options have been granted under the Share Option Scheme.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2016:

As at 31 December 2016, no share option has been granted under the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 258,000,000 Shares.

4. Maximum entitlement of each participant under the Share Option Scheme:

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers and terms of the options to be granted (and options previously granted to such participant) and the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

Directors' Report (continued)

5. The period within which the Shares must be exercised under the Share Option Scheme:

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised:

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The basis of determining the exercise price:

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of a Share.

8. The remaining life of the Share Option Scheme:

Subject to the earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Use of Proceeds from Global Offering

On 27 June 2014, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the above global offering were approximately HK$1,328.0 million (after deducting relevant listing expenses). From the date of listing until 31 December, 2016, the Company has been using the net proceeds in proportion on the terms of that listed out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the prospectus issued by the Company on 17 June 2014.

Directors and Directors' Service Contracts

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

Executive Directors

Mr. Zhang Zhichao *(Chairman)*
Mr. Jiang Xiuwen *(Chief executive officer)*
Mr. Gao Wei
Mr. Chen Donghui
Ms. Ma Lan
Mr. Sun Yinhuan (resigned on 31 December 2016)
Mr. Sun Yinfeng (resigned on 31 December 2016)
Mr. Wen Hongyu (resigned on 31 December 2016)

Non-Executive Directors

Mr. Sun Yansheng
Mr. Zhao Xiaodong
Mr. Chen Chao

Independent Non-Executive Directors

Mr. Yip Wai Ming
Mr. Guo Shaomu
Mr. Wang Yinping
Mr. Han Gensheng
Mr. Ip Yuk Chi Eddie (resigned on 31 December 2016)

Executive Directors Mr. Jiang Xiuwen and Mr. Gao Wei have entered into a service contract with the Company for a term of three years commencing from 27 June 2014. Executive directors Zhang Zhichao, Chen Donghui and Ma Lan have entered into a service contract with the Company for a term of three years commencing from 31 December 2016. Non-executive Directors Mr. Sun Yansheng, Mr. Zhao Xiaodong and Mr. Chen Chao have entered into a letter of appointment with the Company for a term of three years commencing from 31 December 2016. Independent non-executive Directors Mr. Yip Wai Ming and Mr. Guo Shaomu have entered into a letter of appointment with the Company for a term of three years commencing from 27 June 2014. Independent non-executive Directors Mr. Wang Yinping and Mr. Han Gensheng have entered into a letter of appointment with the Company for a term of three years commencing from 31 December 2016. None of the Directors, including Directors being proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payments of compensation other than statutory compensation.

In accordance with Article 83(3) and 84.(1)(2) of the Articles of Association, Mr.Zhang Zhichao, Mr. Gao Wei, Mr. Chen Donghui, Ms. Ma Lan , Mr. Sun Yansheng, Mr. Zhao Xiaodong, Mr. Chen Chao, Mr. Yip Wai Ming, Mr. Guo Shaomu, Mr. Wang Yinping and Mr. Han Gensheng shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting.

Remuneration of Directors and Five Highest Paid Individuals

For the year ended 31 December 2016, the details of the remuneration of the directors and five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements of the Group, respectively.

Directors' Interests in Contracts of Significance

Save as those transactions disclosed in the paragraph headed "Related Party Transactions" below, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiary, or its holding company 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.

Directors' Interests in a Competing Business

As at 31 December 2016, none of the Directors had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' Report (continued)

Deed of Non-Competition

Details of the deed of non-competition entered into by Mr. Sun Yinhuan and Right Won Management Limited are set out in the section headed "Relationship with the Controlling Shareholder" in the prospectus of the Company dated 17 June 2014. According to the deed of non-competition, if the controlling shareholder and their associates no longer hold 30% of the shares of the Company, the deed of non-competition will lapse automatically. As of 18 November 2016, the number of shares of the Company held by the original controlling shareholder was reduced to 241,400,000 shares, representing 9.34% of the issued shares of the Company. The deed of non-competition has automatically lapsed.

Connected Transactions

On 18 August 2016, Sichuan Yixing Real Estate Development Company Limited (the "Sichuan Yixing"), a wholly-owned subsidiary of the Company, Sino Delight Investments Limited and Crown Speed Investments Limited (the "Sellers") entered into equity transfer agreements pursuant to which Sichuan Yixing agreed to purchase from the Sellers an aggregate of 49% interest in Dalian Software Park Ambo Development Company Limited and Dalian Software Park Shitong Development Company Limited (the "Target Companies") at a total consideration of RMB436,420,000 (equivalent to approximately HK$512,320,000). Immediately before the acquisitions, each of the Target Companies was held as to 51% by Sichuan Yixing, 40.06% by Crown Speed Investments Limited and 8.94% by Sino Delight Investments Limited and was accounted as a joint venture of the Group. Upon completion of the acquisitions, each of the Target Companies became wholly-owned by Sichuan Yixing and hence an indirect wholly-owned subsidiary of the Group.

As Crown Speed Investments Limited is a substantial shareholder of each of the Target Companies, non-wholly owned subsidiaries of the Company under the Listing Rules, Crown Speed Investments Limited is therefore a connected person of the Company for the purpose of the Listing Rules. As such, the transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details of the connected transaction were disclosed in the announcement of the Company dated 18 August 2016.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 December 2016.

Related Party Transactions

During the year ended 31 December 2016, the Group entered into transactions with related parties as disclosed in note 44 to the financial statements of the Group. These related party transactions included the following transactions which constituted continuing connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") but exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules:

1. Provision of real estate agency services to Shenyang Yida Property Company Limited (瀋陽億達房地產有限公司) and/or its subsidiaries;

2. Lease of property to Yida Information Technology Co., Ltd. (億達信息技術有限公司);

3. Lease of property from Dalian Software Park Development Co., Ltd. (大連軟件園開發有限公司);

4. License of certain trademarks from Yida Group Co., Ltd. (億達集團有限公司).

Save for the above exempted continuing connected transactions, there were no other continuing connected transactions as of 31 December 2016.

Directors and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares or Debentures of the Company or Any of its Associated Corporations

As at 31 December 2016, the interests and short positions of each of the Directors and the chief executives of the Company in the shares (the "Shares") and underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept 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") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Interest in the Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of shares held(1)	Approximate percentage in the Company's issued share capital
Mr. Sun Yansheng	Interest of a controlled corporation	78,800,000(L)(2)	3.05%
Mr. Jiang Xiuwen	Interest of a controlled corporation	68,600,000(L)(3)	2.65%
Mr. Gao Wei	Interest of a controlled corporation	78,800,000(L)(4)	3.05%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) Mr. Sun Yansheng beneficially owns the entire issued share capital of Everest Talent Limited, which in turn owns 37.50% of the issued share capital of Keen Sky Grace Limited . Keen Sky Grace Limited owns 3.05% of the issued share capital of the Company. By virtue of the SFO, Mr. Sun Yansheng is deemed to be interested in the Shares held by Keen Sky Grace Limited.

(3) Mr. Jiang Xiuwen beneficially owns the entire issued share capital of Grace Excellence Limited and Everest Everlasting Limited, which, in total own 45.56% of the issued share capital of Keen High Keen Source Limited. Keen High Keen Source Limited owns 2.65% of the issued share capital of the Company. By virtue of the SFO, Mr. Jiang Xiuwen is deemed to be interested in the Shares held by Keen High Keen Source Limited. On 14 March 2017, Mr Jiang Xiuwen acquired the entire issued share capital of Wonderful High Limited and became interested in 74.21% of the issued share capital of Keen High Keen Source Limited.

(4) Mr. Gao Wei beneficially owns the entire issued share capital of Everest Excellence Limited, which in turn owns 25% of the issued share capital of Keen Sky Grace Limited. Keen Sky Grace Limited owns 3.05% of the issued share capital of the Company. By virtue of the SFO, Mr. Gao Wei is deemed to be interested in the Shares held by Keen Sky Grace Limited.

Directors' Report (continued)

(II) Interest in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of Shares[1]	Percentage of the issued share capital of that associated corporation held
Mr. Sun Yansheng	Keen Sky Grace Limited	Interest of a controlled corporation	3,000(L)[2]	37.50%
Mr. Jiang Xiuwen	Keen High Keen Source Limited	Interest of a controlled corporation	3,180(L)[3]	45.56%
Mr. Gao Wei	Keen Sky Grace Limited	Interest of a controlled corporation	2,000(L)[4]	25.00%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These shares are held by Everest Talent Limited which is wholly owned by Mr. Sun Yansheng.

(3) These shares held by Grace Excellence Limited with 3,000 shares and Everest Everlasting Limited with 180 shares, which are wholly owned by Mr. Jiang Xiuwen. On 14 March 2017, Mr Jiang Xiuwen acquired the entire issued share capital of Wonderful High Limited and became interested in 74.21% of the issued share capital of Keen High Keen Source Limited.

(4) These shares are held by Everest Excellence Limited which is wholly owned by Mr. Gao Wei.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company and/or their respective associated persons had any personal, family, corporate or other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO).

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2016, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of shares held[(1)]	Approximate percentage in the Company's issued share capital
Jiayou (International) Investment Limited[(2)]	Beneficial owner	1,370,000,000(L)	53.02%
	Person having a security interest in shares	241,400,000(L)	9.34%
Jiahuang (Holdings) Investment Limited[(2)]	Interest of corporation controlled by the substantial shareholder	1,370,000,000(L)	53.02%
	Interest of corporation controlled by the substantial shareholder	241,400,000(L)	9.34%
Jiaxin Investment (Shanghai) Co., Ltd.[(2)]	Interest of corporation controlled by the substantial shareholder	1,370,000,000(L)	53.02%
	Interest of corporation controlled by the substantial shareholder	241,400,000(L)	9.34%
China Minsheng Jiaye Investment Co., Ltd.[(2)]	Interest of corporation controlled by the substantial shareholder	1,370,000,000(L)	53.02%
	Interest of corporation controlled by the substantial shareholder	241,400,000(L)	9.34%
China Minsheng Investment Corp., Ltd[(2)]	Interest of corporation controlled by the substantial shareholder	1,370,000,000(L)	53.02%
	Interest of corporation controlled by the substantial shareholder	241,400,000(L)	9.34%
Right Won Management Limited[(3)]	Beneficial owner	241,400,000(L)	9.34%
	Beneficial owner	241,400,000(S)	9.34%
Sun Yinhuan[(3)]	Interest of corporation controlled by the substantial shareholder	241,400,000(L)	9.34%
	Interest of corporation controlled by the substantial shareholder	241,400,000(S)	9.34%

Directors' Report (continued)

Notes:

(1) The letter "L" denotes the person's long position in such securities. The letter "S" denotes the person's short position in such securities.

(2) China Minsheng Investment Corp., Ltd owns 69.40% share equity of China Minsheng Jiaye Investment Co., Ltd. Jiaxin Investment (Shanghai) Co., Ltd. is beneficially owned by China Minsheng Jiaye Investment Co., Ltd. Jiahuang (Holdings) Investment Limited is beneficially wholly-owned by Jiaxin Investment (Shanghai) Co., Ltd. Jiayou (International) Investment Limited is beneficially wholly-owned by Jiahuang (Holdings) Investment Limited. By virtue of the SFO, China Minsheng Investment Corp., Ltd, China Minsheng Jiaye Investment Co., Ltd, Jiaxin Investment (Shanghai) Co., Ltd and Jiahuang (Holdings) Investment Limited are deemed to hold equity in 1,370,000,000 shares and 241,400,000 shares held by Jiayou (International) Investment Limited. On 3 and 9 January 2017, following the settlement of the shares after the acceptance of the mandatory unconditional cash offer made by HSBC on behalf of Jiayou (the "Offer") by some shareholders, Jiayou became interested in an additional 208,751,750 shares.

(3) Right Won Management Limited is beneficially owned by Mr. Sun Yinhuan. By virtue of the SFO, Mr. Sun Yinhuan is deemed to be interested in the Shares held by Right Won Management Limited.

Save as disclosed above, as at 31 December 2016, there was no other person, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Adequacy of Public Float

Immediately after the close of the Offer on 30 December 2016, the public held 444,418,250 Shares, representing approximately 17.20% of the total number of issued Shares of the Company. The Company could not satisfy the minimum public float requirement of 25% as set out under Rules 8.08(1)(a) and 13.32 of the Listing Rules. The Company has made an application to the Stock Exchange for a temporary waiver from strict compliance with Rules 8.08(1)(a) and 13.32 of the Listing Rules for a period commencing from 30 December 2016 to 30 March 2017 (the "Waiver") and the Stock Exchange granted the Waiver to the Company on 16 January 2017. As at the latest practicable date prior to the issue of this annual report, public float has not been restored. The Company will take appropriate steps to ensure the restoration of public float as soon as possible and will issue further announcement on the restoration of public float in due course under the Listing Rules.

Auditors

The financial statements have been audited by the Company's auditors, Ernst & Young, who will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Yida China Holdings Limited
Chairman
Zhang Zhichao

Hong Kong, 24 March 2017

Corporate Governance Report

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2016.

The Company recognizes the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to uphold the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company.

The Board is of the view that, for the period from 1 January 2016 to 31 December 2016 (the "Review Period"), the Company has complied with the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules (the "CG Code") as policies on inner corporate governance.

(A) The Board of Directors

Board Composition

During the Review Period, the Board consisted of nine Directors including Mr. Sun Yinhuan (Chairman), Mr. Sun Yinfeng (Vice Chairman), Mr. Sun Yansheng (Chief Executive Officer), Mr. Jiang Xiuwen, Mr. Gao Wei and Mr. Wen Hongyu as the executive Directors and Mr. Ip Yuk Chi Eddie, Mr. Yip Wai Ming and Mr. Guo Shaomu as the independent non-executive Directors. As at the end of the Period under Review the Board consisted of twelve Directors including Mr. Zhang Zhichao (Chairman), Mr. Jiang Xiuwen (Chief Executive Officer), Mr. Gao Wei, Mr. Chen Donghui and Ms. Ma Lan as the executive Directors ; Mr. Sun Yansheng, Mr. Zhao Xiaodong, and Mr. Chen Chao as non-executive Directors; Mr. Yip Wai Ming, Mr. Guo Shaomu, Mr. Wang Yinping and Mr. Han Gensheng as the independent non-executive Directors. The biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this annual report. The overall management of the Company's operation is vested in the Board. Saved as disclosed in this annual report, to the knowledge of the Company, the Board members have no financial, business, family or other material relationship with each other.

Board's Responsibilities

The Board takes on the responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior management. The Board has established three Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. All relevant terms of reference are published on the websites of the Stock Exchange and the Company. All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its shareholders at all times.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of the Company's executive Directors along with other senior management officers, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior management officers meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Review Period. The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by the relevant employees, including the Directors, who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by any employees was noted by the Company.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

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

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the Period under Review, the roles of the chairman and the chief executive officer of the Company have been performed by Mr. Sun Yinhuan and Mr. Sun Yansheng, respectively; since 31 December 2016, the roles of the chairman and the chief executive officer of the Company have been performed by Mr. Zhang Zhichao and Mr. Jiang Xiuwen, respectively. Pursuant to the code provision A.2.4 of the CG Code, the chairman plays a leadership role in the Board and is responsible for the management and functioning of the Board. The chairman is also responsible for the formulation of the Group's strategic vision, direction and objectives as well as participating in the Group's strategic and key operational decision-making process. The chairman is also responsible for establishing good corporate governance practices and procedures for the Company. On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organization structure, control systems and internal procedures and processes of the Company for the Board's approval.

Pursuant to the code provision A.2.7 of the CG Code, the chairman of the Company met with the three independent non-executive Directors without the presence of other executive Directors on 17 June 2016.

Independent Non-Executive Directors

During the Review Period, the Board at all times met the requirements of the Listing Rules and the Company appointed four independent non-executive Directors representing one-third of the Board, of which Mr. Yip Wai Ming, an independent non-executive Director, possessed appropriate professional qualifications, accounting and related financial management expertise.

The Company has also received an annual written confirmation from each of the independent non-executive Directors in respect of their independence in accordance with the requirement under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Corporate Governance Report (continued)

All independent non-executive Directors of the Company possess extensive industry expertise, professional and management experience. They play a significant role in the Board by virtue of their independent judgment. They advise on the Company's strategies, performance and control. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

Board Meetings and General Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Pursuant to the code provision A.1.1 of the CG Code, during the Review Period, the Company held five Board meetings at approximately quarterly intervals. All Directors participated in the Board meetings.

At least 14 days' notice will be given for a regular Board meeting. All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for Board meetings.

Directors can separately get access to the senior management and the company secretary at all time and may seek independent professional advice at the Company's expense. Pursuant to the code provisions A.1.4 and A.1.5 of the CG Code, minutes of Board meetings and meetings of Board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board and decisions reached.

Pursuant to the code provision A.1.7 of the CG Code, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation of resolutions or by a committee (except an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a formal Board meeting would be held. Executive Directors and independent non-executive Directors who have no material conflict of interest in the transaction would be present at such Board meeting.

The Board procedures are in compliance with the articles of association (the "Articles") of the Company, as well as relevant rules and regulations.

During the Period under Review, the Company held an annual general meeting on 17 June 2016.

Appointment, Re-election and Removal of Directors

The procedures of appointment, re-election and removal of Directors are set out in the Articles of the Company. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Corporate Governance Report (continued)

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a term of three years and subject to his re-election by the Company at an annual general meeting upon retirement. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. In accordance with the Articles, at every annual general meeting of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and being eligible offer themselves for re-election.

In accordance with Article 83(3) and 84(1)(2) of the Articles, Mr. Zhang Zhichao, Mr. Gao Wei, Mr. Chen Donghui, Ms. Ma Lan, as executive Directors, Mr. Sun Yansheng, Mr. Zhao Xiaodong, Mr. Chen Chao, as non-executive Directors and Mr. Yip Wai Ming, Mr. Guo Shaomu, Mr. Wang Yinping, Mr. Han Gensheng, as independent Non-executive Directors, shall retire by rotation, and being eligible, have offered themselves for re-election as Directors at the annual general meeting to be held on 16 June 2017.

The shareholders of the Company may, at any general meetings convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Induction and Continuing Development for Directors

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually provided with information related to the latest developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Relevant training such as continuing briefing and professional development for Directors were also arranged by the Company and its legal adviser.

During the Period under Review, a training course was organized by the Company for Directors to update the Directors on the new amendments to the relevant code and the related Listing Rules. All Directors participated in such training course. Some Directors also attended seminars, conferences and/or forums and read newspapers, journals, Company newsletters and updates relating to the economy, general business, real estate or Directors' duties and responsibilities, etc.

Board Diversity Policy

The Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. In designing the Board's composition, the Company considered diversity of board members from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Report (continued)

Board Committees

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Board and the Group's affairs. All Board committees are established with defined written terms of reference which are available to shareholders on the Company's website and the website of the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Nomination Committee

The Nomination Committee of the Company is established with written terms of reference in compliance with Rule A.5 of the CG Code. The Nomination Committee is comprised of one executive Director and two independent non-executive Directors. The Nomination Committee comprises Mr. Sun Yinhuan as the chairman and Mr. Ip Yuk Chi Eddie and Mr. Yip Wai Ming as members. Since 31 December 2016, it consisted of two executive directors and four independent non-executive directors, namely Mr. Zhang Zhichao as the chairman and Mr. Jiang Xiuwen, Mr. Yip Wai Ming, Mr. Wang Yinping and Mr. Han Gensheng as members.

The Nomination Committee is primarily responsible for recommending to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required as well as assessing the independence of each independent Director. Its written terms of reference cover recommendations to the Board on the appointment, succession or removal of Directors, evaluation of Board composition and the management of Board succession with reference to certain guidelines as endorsed by the committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The written terms of reference of the committee are in line with the provisions of the code. During the Period under Review, the Nomination Committee convened a meeting on 21 March 2016 to discuss the structure, size and composition of the Board and assess the independence of each independent Director.

Audit Committee

The Audit Committee of the Company is established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provisions C.3 and D.3 of the CG Code. The Audit Committee is comprised of all independent non-executive Directors. The chairman is Mr. Yip Wai Ming, who confirmed that he possesses appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules. The other members are Mr. Ip Yuk Chi Eddie and Mr. Guo Shaomu. Since 31 December 2016, Mr. Yip Wai Ming is the chairman and Mr. Guo Shaomu, Mr. Wang Yinping and Mr. Han Gensheng are members. The Group's accounting principles and practices, financial statements and related materials for the year ended 31 December 2016 had been reviewed by the committee.

The primary duties of the Audit Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditors and the Group, particularly the independence, objectivity and effectiveness of the external auditors; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial statements of the Company including the completeness of the annual and interim reports as well as ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors. The written terms of reference of the committee are in line with the provisions of the code.

During the Period under Review, the Audit Committee convened a meeting on 24 March 2016 to review the Company's annual financial report as of 31 December 2015, convened a meeting on 18 August 2016 to review the Company's interim financial report as of 30 June 2016.

In addition, the committee has recommended the Board to re-appoint Ernst & Young as the Company's external auditors for the financial year ending 31 December 2017 at the forthcoming AGM.

Remuneration Committee

The Remuneration Committee of the Company is established with written terms of reference in compliance with Rule B.1 of the CG Code. The Remuneration Committee is comprised of two independent non-executive Directors and one executive Director. During the Period under Review, the committee comprised Mr. Ip Yuk Chi Eddie as the chairman and Mr. Jiang Xiuwen and Mr. Guo Shaomu as members. Since 31 December 2016, it consisted of three independent non-executive directors and one executive director, Mr. Wang Yinping as the chairman and Mr. Jiang Xiuwen, Mr. Guo Shaomu and Mr. Han Gensheng as members.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining the terms of the remuneration package of our Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies. The written terms of reference of the committee are in line with the provisions of the code.

During the Period under Review, the Remuneration Committee convened a meeting on 24 March 2016 to discuss the reasonableness matters related to the remuneration of the Directors and senior management.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Management Discussion and Analysis" and note 8 to the financial statements.

The emolument paid to each of three senior management of the Company was between RMB1 million to RMB2.5 million as at 31 December 2016.

Corporate Governance Report (continued)

Meeting Attendance

The attendance of Directors at Board meetings, meetings of the Board committees and annual general meetings during the Period under Review, as well as the number of such meetings held, are set out as follows:

	Meetings attended/held				
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**
Executive Directors					
Mr. Sun Yinhuan *(Chairman)*(1)	5/5		1/1		1/1
Mr. Sun Yinfeng *(Vice Chairman)*(1)	5/5				1/1
Mr. Sun Yansheng *(Chief Executive Officer)*(2)	5/5				1/1
Mr. Jiang Xiuwen	5/5			1/1	1/1
Mr. Gao Wei	5/5				1/1
Mr. Wen Hongyu(1)	5/5				1/1
Independent Non-executive Directors					
Mr. Ip Yuk Chi Eddie(1)	5/5	2/2	1/1	1/1	1/1
Mr. Yip Wai Ming	5/5	2/2	1/1		1/1
Mr. Guo Shaomu	5/5	2/2		1/1	1/1

(1) The directors have resigned on 31 December 2016.

(2) Mr. Sun Yansheng was re-designed as a non-executive director on 31 December 2016.

Company Secretary

Ms. Wang Huiting, a full-time employee of the Company, is the joint company secretary of the Company. Ms. Kwong Yin Ping Yvonne is an external joint company secretary and assist Ms. Wang to discharge the functions. During the year, both of them have confirmed that they have complied with Rule 3.29 of the Listing Rules.

The major contact person of the Company is Ms. Wang Huiting, the joint company secretary.

(B) Financial Reporting and Internal Control

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016, and for ensuring the financial statements are published in a timely manner.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

Pursuant to the code provision C.1.1 of the CG Code, the senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

The working scope and reporting responsibilities of Ernst & Young, the Company's external auditors, are set out on pages 73 to 80 of the "Independent Auditor's Report" in this annual report.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about its reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The external auditors of the Company will be invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report and auditors' independence.

During the year, the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 amounted to approximately RMB5 million and RMB2 million, respectively.

Ernst & Young has been appointed as the Company's external auditors since 2014.

Risk Management and Internal Control

During the year, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review has covered the financial, operational compliance and risk management aspects of the Group.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee. In addition to the external audit, an internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended.

The Directors of the Company believe that the above internal control measures are adequate and effective.

(C) Communications with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.yidachina.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

In addition, the Company has also established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and business development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publications of interim and annual reports, announcements, circulars, press release and newsletters. The Company is committed to maintaining a high level of corporate transparency and disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner.

There were no changes to the Company's constitutional documents during the year ended 31 December 2016. The Company's existing constitutional documents have been published at the website of the Company and the website of Hong Kong Exchanges and Clearing Limited and are available for access.

(D) General Meetings and Shareholders' Rights

If shareholders have any enquiries about their shareholdings and entitlements to dividend, they can contact Computershare Hong Kong Investor Services Limited, the share registrar and transfer office of the Company, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the company secretary at the Company's principal place of business in Hong Kong who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Pursuant to the code provisions of the CG Code, to safeguard shareholders' interests and rights, in respect of each substantially separate issue at a general meeting, a separate resolution would be proposed by the chairman of that meeting. The chairman of the Board should attend the AGM and arrange for the chairman of the Audit, Remuneration and Nomination Committees or in the absence of the chairman of such committees, another member of the committee, to be available to answer questions at the AGM. The Company would arrange for the notice to shareholders to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

Pursuant to article 58 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying rights of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or 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. 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.

Shareholders who wish to put forward proposals at general meetings may follow article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 of the Articles of Association of the Company are set out above.

Immediately after the close of the Offer on 30 December 2016, the public held 444,418,250 Shares, representing approximately 17.20% of the total number of issued Shares of the Company. The Company could not satisfy the minimum public float requirement of 25% as set out under Rules 8.08(1)(a) and 13.32 of the Listing Rules. The Company has made an application to the Stock Exchange for a temporary waiver from strict compliance with Rules 8.08(1)(a) and 13.32 of the Listing Rules for a period commencing from 30 December 2016 to 30 March 2017 (the "Waiver") and the Stock Exchange granted the Waiver to the Company on 16 January 2017. As at the latest practicable date prior to the issue of this annual report, public float has not been restored. The Company will take appropriate steps to ensure the restoration of public float as soon as possible and will issue further announcement on the restoration of public float in due course under the Listing Rules.

Independent Auditor's Report

To the shareholders of Yida China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Yida China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 174, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of other receivables for primary land development	
In the prior years, the Group entered into certain cooperation agreements with local government authorities under which the Group provides funding to the local government authorities for the primary land development of certain land parcels. As at 31 December 2016, the amount of receivables from the local government authorities was RMB2,183 million. We identified this as a key audit matter because the estimation of the recoverable amount of the other receivables for primary land development involves subjective judgements made by management of the Group. Related disclosures are included in notes 3 and 25 to the consolidated financial statements.	We assessed the Group's processes and controls relating to the monitoring of other receivables and identifying any impairment indicators. Our procedures included obtaining direct confirmations, performing interviews with debtors on the amount and timing of settlement, consideration of the discounting impact of the non-current balances, the debtor's historical payment patterns, and whether any post year-end payment had been received up to the date of completing our procedures. We also obtained corroborative evidence including correspondence between the Group and the local government authorities. We also assessed the Group's disclosures in the financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for the acquisitions of Dalian Ambo and Dalian Shitong	
In August 2016, the Group entered into equity transfer agreements with joint venture partners for the acquisitions of 49% equity interests in Dalian Software Park Ambo Development Company Limited ("Dalian Ambo") and Dalian Software Park Shitong Development Company Limited ("Dalian Shitong") (the "Acquisitions") for a total cash consideration of RMB436 million. The Group's interest in each of Dalian Ambo and Dalian Shitong increased from 51% to 100% after the completion of the Acquisitions in December 2016, and Dalian Ambo and Dalian Shitong became wholly-owned subsidiaries of the Group. Management of the Group accounted for the Acquisitions as business combinations using the acquisition method under HKFRS 3 *Business Combinations* and remeasured its previously held equity interests in Dalian Ambo and Dalian Shitong at fair value at the date of the Acquisitions with the resulting remeasurement gain recognised in profit or loss. Management of the Group has engaged an external valuer to perform valuation of the fair value of the properties held by Dalian Ambo and Dalian Shitong as at the date of the Acquisitions. The gain on remeasurement of previously held equity interests of RMB207 million and the gains on bargain purchases in an aggregate amount of RMB330 million were recognised in profit or loss during the year ended 31 December 2016. The allocation of the purchase price to items with material fair value adjustments, such as properties, involves significant management judgement and estimation and therefore this area is identified as a key audit matter. Related disclosures are included in notes 3 and 38 to the consolidated financial statements.	We involved our internal valuation specialists to assist us in evaluating the valuation models, assumptions and parameters used by the valuer and the Group. The income approach and residual approach were applied by the external valuer on the completed properties and properties under development. We assessed the independence, competence and relevant experience of the external valuer engaged by management of the Group.

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2016, the Group held investment properties with a carrying amount of RMB11,795 million. The carrying amount of the investment properties represented 33% of the total assets of the Group as at 31 December 2016 and is significant to the consolidated financial statements. The Group has engaged an external valuer to determine the fair value of the investment properties bi-annually. We identified this as a key audit matter because the carrying amount of the investment properties is significant to the Group and significant estimations are involved in determining the fair value of the investment properties. The determination of valuation models adopted also involved judgements. Related disclosures are included in notes 3 and 14 to the consolidated financial statements.	We evaluated the independence, competence and relevant experiences of the external valuer engaged by management of the Group. We also involved our internal valuation specialists to assist us with our audit in evaluating the valuation models, assumptions and parameters adopted in the valuation. We also evaluated the inputs for the valuation including the transaction price per square metre, estimated yearly rental value per square metre, the gross floor area and the capitalisation rate used.

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment review of properties under development ("PUD"), completed properties held for sale ("CPFS") and land held for development for sale ("Land") (collectively the "Properties")	
As at 31 December 2016, the Group held Land, PUD and CPFS with carrying amounts of RMB1,338 million, RMB6,919 million and RMB3,785 million, respectively. The aggregate carrying amount of the Properties represented 34% of the total assets of the Group as at 31 December 2016 and is significant to the consolidated financial statements. The Group considered the selling prices on sales contracts and has engaged an external valuer to perform a valuation of the Group's Land, PUD and CPFS as at 31 December 2016 to assess if the net realisable values of these assets are higher than their carrying amounts. Different valuation models were applied by the external valuer on different types of the Properties held by the Group. We identified this as a key audit matter because the aggregate carrying amount of the Properties is significant to the Group and significant estimations are involved in determining the net realisable values of the Land, PUD and CPFS. The determination of valuation models adopted also involves judgements. Related disclosures are included in notes 3, 15, 20 and 21 to the consolidated financial statements.	We evaluated the independence, competence and relevant experiences of the external valuer engaged by management of the Group. We also involved our internal valuation specialists to assist us with our audit in evaluating the valuation models, assumptions and parameters adopted in the valuation. We also evaluated the inputs for the valuation including the unit rate per square metre and the gross floor.

Independent Auditor's Report (continued)

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Chow Chi Chung.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

24 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**7,004,548**	7,473,200
Cost of sales		**(5,460,083)**	(5,400,560)
Gross profit		**1,544,465**	2,072,640
Other income and gains	5	**660,191**	134,733
Selling and marketing expenses		**(215,505)**	(210,469)
Administrative expenses		**(434,358)**	(386,458)
Other expenses		**(366,238)**	(36,708)
Fair value gains on investment properties	14	**201,219**	215,066
Finance costs	7	**(278,346)**	(311,004)
Share of profits and losses of:			
Joint ventures		**15,466**	62,975
Associates		**(96,142)**	(99,152)
PROFIT BEFORE TAX	6	**1,030,752**	1,441,623
Income tax expenses	10	**(456,599)**	(620,155)
PROFIT FOR THE YEAR		**574,153**	821,468
Attributable to:			
Owners of the parent		**564,000**	821,263
Non-controlling interests		**10,153**	205
		574,153	821,468
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted (RMB per share)		**0.22**	0.32

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	**574,153**	821,468
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**44,470**	(61,464)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**618,623**	760,004
Attributable to:		
Owners of the parent	**608,470**	759,788
Non-controlling interests	**10,153**	216
	618,623	760,004

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**89,594**	99,191
Investment properties	14	**11,795,033**	11,486,300
Investments in joint ventures	17	**1,669,217**	2,331,361
Investments in associates	18	**479,425**	639,310
Prepayments for acquisition of land		**2,107,462**	1,943,122
Land held for development for sale	15	**730,421**	815,516
Other receivables	25	**614,895**	578,878
Intangible assets	16	**17,177**	10,845
Available-for-sale investments	19	**24,540**	24,540
Deferred tax assets	32	**141,330**	140,839
Total non-current assets		**17,669,094**	18,069,902
CURRENT ASSETS			
Inventories	23	**8,172**	6,168
Land held for development for sale	15	**607,203**	131,047
Properties under development	20	**6,919,490**	5,049,279
Completed properties held for sale	21	**3,784,559**	3,496,672
Prepayments for acquisition of land		**249,655**	249,655
Gross amount due from contract customers	22	**132,940**	78,531
Trade receivables	24	**814,411**	597,033
Prepayments, deposits and other receivables	25	**2,679,039**	3,433,081
Prepaid corporate income tax		**30,613**	44,353
Prepaid land appreciation tax		**161,174**	51,748
Restricted cash	26	**1,047,113**	2,252,154
Cash and cash equivalents	26	**1,856,039**	1,058,565
Total current assets		**18,290,408**	16,448,286

Consolidated Statement of Financial Position (continued)

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**518,183**	510,819
Receipts in advance	27	**2,787,291**	2,261,924
Trade payables	28	**2,633,113**	2,163,636
Other payables and accruals	29	**1,500,759**	953,641
Derivative financial instruments	33	**491,403**	399,521
Interest-bearing bank and other borrowings	30	**4,072,068**	8,263,349
Tax payable		**600,580**	481,162
Provision for land appreciation tax	31	**399,063**	407,760
Total current liabilities		**13,002,460**	15,441,812
NET CURRENT ASSETS		**5,287,948**	1,006,474
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,957,042**	19,076,376
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**10,938,707**	7,967,687
Other payables	29	**73,370**	97,970
Deferred tax liabilities	32	**1,798,436**	1,602,233
Total non-current liabilities		**12,810,513**	9,667,890
Net assets		**10,146,529**	9,408,486
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**159,418**	159,418
Reserves	36	**9,712,922**	9,236,963
		9,872,340	9,396,381
Non-controlling interests		**274,189**	12,105
Total equity		**10,146,529**	9,408,486

Sun Yansheng
Director

Jiang Xiuwen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent									
	Issued capital RMB'000 (Note 34)	Share premium account RMB'000	Statutory surplus reserve RMB'000 (Note 36(a))	Merger reserve RMB'000 (Note 36(b))	Share-based payment reserve RMB'000 (Note 36(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	159,418	1,710,650	450,102	352,979	81,000	(36,319)	6,678,551	9,396,381	12,105	9,408,486
Profit for the year	–	–	–	–	–	–	564,000	564,000	10,153	574,153
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	44,470	–	44,470	–	44,470
Total comprehensive income for the year	–	–	–	–	–	44,470	564,000	608,470	10,153	618,623
Transfer from retained profits	–	–	33,266	–	–	–	(33,266)	–	–	–
Final 2015 dividend	–	(132,511)	–	–	–	–	–	(132,511)	–	(132,511)
Obtaining control of a subsidiary (note 38)	–	–	–	–	–	–	–	–	251,931	251,931
At 31 December 2016	159,418	1,578,139*	483,368*	352,979*	81,000*	8,151*	7,209,285*	9,872,340	274,189	10,146,529

	Attributable to owners of the parent									
	Issued capital RMB'000 (Note 34)	Share premium account RMB'000	Statutory surplus reserve RMB'000 (Note 36(a))	Merger reserve RMB'000 (Note 36(b))	Share-based payment reserve RMB'000 (Note 36(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	159,418	2,051,734	337,621	352,979	81,000	25,156	5,969,769	8,977,677	1,399	8,979,076
Profit for the year	–	–	–	–	–	–	821,263	821,263	205	821,468
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(61,475)	–	(61,475)	11	(61,464)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(61,475)	821,263	759,788	216	760,004
Transfer from retained profits	–	–	112,481	–	–	–	(112,481)	–	–	–
Final 2014 dividend	–	(341,084)	–	–	–	–	–	(341,084)	–	(341,084)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	10,490	10,490
At 31 December 2015	159,418	1,710,650*	450,102*	352,979*	81,000*	(36,319)*	6,678,551*	9,396,381	12,105	9,408,486

* These reserve accounts comprise the consolidated reserves of RMB9,712,922,000 (2015: RMB9,236,963,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,030,752**	1,441,623
Adjustments for:			
Depreciation	6	**15,316**	22,559
Amortisation of intangible assets	6	**3,224**	515
Loss on disposal of items of property, plant and equipment	6	**7,772**	4,293
Gain on disposal of an investment property	6	**(2,321)**	—
Fair value gains on investment properties	14	**(201,219)**	(215,066)
Fair value loss on derivative financial instruments	6	**238,318**	15,344
Share of profits and losses of joint ventures		**(15,466)**	(62,975)
Share of profits and losses of associates		**96,142**	99,152
Gains on remeasurement of pre-existing interests in joint ventures to the date of obtaining control and acquisition	5	**(252,973)**	—
Gains on bargain purchases	5	**(330,140)**	—
Impairment of trade receivables	6	**19,270**	—
Finance costs	7	**278,346**	311,004
Interest income	5	**(55,102)**	(59,402)
Dividend income	5	**(1,171)**	(5,511)
		830,748	1,551,536
Increase in inventories		**(2,004)**	(3,276)
(Increase)/decrease in properties under development		**(1,652,173)**	644,198
Decrease in completed properties held for sale		**4,697,133**	2,514,352
Increase in prepayments for acquisition of land		**(164,340)**	(146,939)
Increase in gross amount due from contract customers		**(54,409)**	(11,280)
Increase in trade receivables		**(231,416)**	(212,404)
Decrease/(increase) in prepayments, deposits and other receivables		**966,999**	(271,875)
Increase/(decrease) in trade payables		**61,522**	(147,619)
Decrease in other payables and accruals		**(502,687)**	(1,054,502)
Decrease in receipts in advance		**(1,140,646)**	(1,367,282)
Increase in gross amount due to contract customers		**7,364**	128,743
(Decrease)/increase in deferred income		**(13,632)**	18,112
Cash generated from operations		**2,802,459**	1,641,764
Interest received		**55,102**	59,402
PRC corporate income tax paid		**(161,199)**	(169,487)
PRC land appreciation tax paid		**(213,068)**	(160,264)
Net cash flows from operating activities		**2,483,294**	1,371,415

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment from joint ventures		–	105,113
Advances to associates		(5,308)	(26,398)
Decrease/(increase) in amounts due from joint ventures and associates		399,505	(292,189)
Purchases of items of property, plant and equipment	13	(9,845)	(7,415)
Purchases of intangible assets	16	(9,501)	(454)
Investment in an associate		(5,000)	(10,000)
Investments in joint ventures		(3,520)	(40,250)
Additions to investment properties	14	(111,014)	(108,923)
Proceeds from disposal of an investment property		5,821	–
Decrease/(increase) in restricted cash		1,205,041	(193,111)
Obtaining control and acquisition of subsidiaries	38	1,043,962	–
Dividends received		1,171	5,511
Dividend received from a joint venture		–	104,601
Net cash flows from/(used in) investing activities		2,511,312	(463,515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders		–	10,490
Interest paid		(1,031,029)	(1,438,075)
Dividend paid		(29,951)	(341,084)
New bank and other borrowings		7,892,393	8,975,044
Repayment of bank and other borrowings		(11,028,545)	(7,795,781)
Net cash flows used in financing activities		(4,197,132)	(589,406)
NET INCREASE IN CASH AND CASH EQUIVALENTS		797,474	318,494
Cash and cash equivalents at beginning of year		1,058,565	740,071
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,856,039	1,058,565
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	1,856,039	1,058,565

Notes to Financial Statements

31 December 2016

1. Corporate and Group Information

Yida China Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 26 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in property development, property investment, business park operation and management, property construction, decoration and landscaping and property management in Dalian, Wuhan, Shenyang, Beijing, Shanghai, Tianjin, Zhengzhou, Hefei, Xi'an, Suzhou, Hangzhou, Shenzhen, Changsha and Chengdu, the People's Republic of China (the "**PRC**" or "**Mainland China**").

In the opinion of the directors of the Company (the "**Directors**"), the holding company of the Company is Jiayou (International) Investment Limited (the "**Jiayou**"), which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is China Minsheng Investment Corp., Ltd..

Information about subsidiaries

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

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dalian Service Outsourcing Base Development Company Limited (大連服務外包基地發展有限公司)*#	The PRC/ Mainland China	RMB210,000,000	—	95.2	Property development
Dalian BEST City Development Company Limited (大連科技城發展有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Investment holding
Dalian BEST City Taifeng Development Company Limited (大連科技城泰楓開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian BEST City Changyuan Development Company Limited (大連科技城常源開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian BEST City Xintong Development Company Limited (大連科技城欣同開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment

Notes to Financial Statements (continued)

31 December 2016

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dalian BEST City Xinyuan Development Company Limited (大連科技城欣原開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian BEST City Xinrui Development Company Limited (大連科技城欣銳開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian BEST City Tairui Development Company Limited (大連科技城泰鋭開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian BEST City Changde Development Company Limited (大連科技城昌得開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian Shengyue Property Development Company Limited (大連聖躍房地產開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development
Dalian Changhe Property Development Company Limited (大連昌和房地產開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development
Dalian Yitong Property Development Company Limited (大連益通房地產開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development
Dalian San Ann Real Estate Development Co., Ltd. (大連聖安房地產開發有限公司)@#	The PRC/ Mainland China	RMB563,000,000	—	100	Property development
Dalian San Yan Real Estate Development Co., Ltd. (大連聖仁房地產開發有限公司)@#	The PRC/ Mainland China	RMB257,700,000	—	100	Property development
Dalian Software Park Development Company Limited (大連軟件園發展有限公司)*#	The PRC/ Mainland China	RMB200,000,000	—	100	Property development
Dalian Software Park Hengrui Development Company Limited (大連軟件園恒瑞開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian Software Park Hengrong Development Company Limited (大連軟件園恒榮開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development

Notes to Financial Statements (continued)

31 December 2016

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Dalian Yida Information Consulting Company Limited (大連億達信息諮詢有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property investment
Dalian Software Park Company Limited (大連軟件園股份有限公司)*#	The PRC/ Mainland China	RMB660,000,000	—	100	Property investment
Dalian Yida Construction Engineering Company Limited (大連億達建設工程有限公司)*#	The PRC/ Mainland China	RMB200,000,000	—	100	Construction
Dalian Yida Property Management Company Limited (大連億達物業管理有限公司)*#	The PRC/ Mainland China	RMB5,000,000	—	100	Property management
Dalian Yida Landscaping Engineering Company Limited (大連億達園林綠化工程有限公司)*#	The PRC/ Mainland China	RMB20,000,000	—	100	Landscaping
Yida Development Company Limited (億達發展有限公司)@#Δ	The PRC/ Mainland China	RMB200,000,000	—	100	Property development
Dalian Yida Jincheng Development Company Limited (大連億達金城開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development
Dalian Yida Management Consulting Co., Ltd. (大連億達管理諮詢有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Investment holding
Dalian Yida Service Consulting Co., Ltd. (大連億達服務諮詢有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Investment holding
Sichuan Yixing Real Estate Development Company Limited (四川億興置業發展有限公司)*#	The PRC/ Mainland China	RMB30,000,000	—	100	Property development
Dalian Gaoji Property Development Company Limited (大連高基房地產開發有限公司)*#	The PRC/ Mainland China	RMB561,000,000	—	100	Property development
Dalian Shengbei Development Company Limited (大連聖北開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development
Dalian Yida Meijia Property Development Company Limited (大連億達美加房地產開發有限公司)*#	The PRC/ Mainland China	RMB120,000,000	—	100	Property development

Notes to Financial Statements (continued)

31 December 2016

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dalian Lanwan Property Company Limited (大連藍灣房地產有限公司)*#	The PRC/ Mainland China	RMB250,000,000	—	100	Property development
Dalian Shenghe Property Development Company Limited (大連聖和房地產開發有限公司)*#	The PRC/ Mainland China	RMB10,000,000	—	100	Property development
Liaoning Jiaye Real Estate Development Company Limited (遼寧佳業地產開發有限公司)*#	The PRC/ Mainland China	RMB20,000,000	—	100	Property development
Dalian Ruanjing Property Development Company Limited (大連軟景房地產開發有限公司)*#	The PRC/ Mainland China	RMB30,000,000	—	100	Property development
Dalian Yida Property Company Limited (大連億達房地產股份有限公司)*#	The PRC/ Mainland China	RMB150,000,000	—	100	Property development
Wuhan New Software Park Development Company Limited ("Wuhan NSP") (武漢軟件新城發展有限公司)*#	The PRC/ Mainland China	RMB400,000,000	—	42^	Property development
Dalian Software Park Ambo Development Company Limited ("Dalian Ambo") (大連軟件園安博開發有限公司)*#	The PRC/ Mainland China	RMB427,600,000	—	100	Property development
Dalian Software Park Shitong Development Company Limited ("Dalian Shitong") (大連軟件園世通開發有限公司)*#	The PRC/ Mainland China	RMB550,000,000	—	100	Property development
King Equity Holdings Limited	Hong Kong	HK$2	—	100	Investment holding

* Registered as domestic limited liability companies under PRC law.

@ Registered as Sino-foreign equity entities under PRC law.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they did not register any official English names.

^ The Group considers that it controls Wuhan NSP even though it owns less than 50% of the equity interests in Wuhan NSP. A joint venture partner of Wuhan NSP confirmed that it will follow the Group on any decision regarding operational and financial activities of Wuhan NSP. As such, management considers that the Group is in a position to exercise control over the relevant activities of Wuhan NSP.

Δ The name of the company was changed from Dalian Yida Development Company Limited to Yida Development Company Limited in 2016.

Notes to Financial Statements (continued)

31 December 2016

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

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.

Except for King Equity Holdings Limited and Yida Development Company Limited, the above subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments 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 for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Notes to Financial Statements (continued)

31 December 2016

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

2.2 Changes in Accounting Policies and Disclosures (continued)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

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

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss 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 profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 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 have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

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

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

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Notes to Financial Statements (continued)

31 December 2016

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 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 HKFRS 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 HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

HKFRS 16 replaces HKAS 17 *Leases,* HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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

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

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. 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.

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 acquire's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

The Group measures investment properties and derivative financial instruments at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost including loans to joint ventures and associates and interest-bearing bank and other borrowings are disclosed in note 46. 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 to 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 use.

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 — Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — 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 re-assessing 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.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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 and investment properties), 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold land and buildings	Over the shorter of lease terms and 20 years
Plant and machinery	5 to 10 years
Motor vehicles	3 to 10 years
Furniture, fixtures and office equipment	3 to 20 years

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.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

Investment properties

Investment properties are interests in land and buildings 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.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

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

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

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets

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 as 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.

Licences

Purchased licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 15 years.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

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

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

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

Land held for development for sale

The land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The land is initially stated at cost less any impairment losses and is not depreciated. It is transferred to properties under development upon commencement of the related construction work in the property development project.

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 and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond 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 at the lower of cost and net realisable value.

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

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:

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. 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.

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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.

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 measured at cost is impaired, an amount comprising the difference between the carrying amount of the financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset is recognised in the statement of profit or loss.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). 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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

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 derecognised 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 risks 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

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 payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. Further details of derivative financial instruments are disclosed in note 33.

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.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

2.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents (continued)

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.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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, associates and joint ventures, 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.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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, and 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, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the completed properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sales agreement, and the collectability of the related receivables is reasonably assured;

(b) from construction contracts, using the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(c) from the rendering of property management services, when the services are rendered;

(d) from the provision of business park operation and management services, when the services are provided;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders’ right to receive payment has been established.

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 other payables and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Employee benefits

Pension scheme

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

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.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the progress of certified value of work performed to date.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB which is the Company's functional and presentation currency. In the opinion of the Directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. 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 from settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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 functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of construction of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax on investment properties, the Directors have determined that the presumption set out in HKAS 12 *Income Taxes* that investment properties measured using the fair value model are recovered through sale is rebutted.

Consolidation of entities in which the Group holds less than a majority of equity interests

The Group considers that it is in a position to exercise control over the relevant activities of Wuhan NSP even though it owns less than 50% of the equity interests in Wuhan NSP, having considered that a joint venture partner of Wuhan NSP confirmed that it will follow the Group on any decision regarding operational and financial activities of Wuhan NSP. As such, Wuhan NSP was accounted for as a subsidiary of the Group.

Purchase price allocation

During the year ended 31 December 2016, the Group entered into an equity transfer agreement with joint venture partners for the acquisition of 49% equity interests in joint ventures, namely Dalian Ambo and Dalian Shitong. The allocation of the purchase price to items with material fair value adjustments, such as properties, involves significant management judgement and estimation. The gain on remeasurement of previously held equity interests of RMB206,553,000 and the gains on bargain purchases in an aggregate amount of RMB330,140,000 were recognised in profit or loss during the year ended 31 December 2016. Further details are given in note 38 to the financial statements.

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.

Impairment review of properties under development, completed properties held for sale and land held for development for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information. The land held for development for sale is initially stated at cost less any impairment losses and is not depreciated. The Group has engaged an external valuer to perform a valuation of the Group's properties under development and completed properties held for sale as at 31 December 2016 to assess if the net realisable values of these assets are lower than their carrying amounts and a valuation of the Group's land held for development for sale as at 31 December 2016 to assess if there is any impairment. As at 31 December 2016, the carrying amounts of properties under development, completed properties held for sale and land held for development for sale were RMB6,919,490,000 (2015: RMB5,049,279,000), RMB3,784,559,000 (2015: RMB3,496,672,000) and RMB1,337,624,000 (2015: RMB946,563,000), respectively.

Notes to Financial Statements (continued)

31 December 2016

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to 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. 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 its 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 certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all 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.

Fair value of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Fair values of derivative financial instruments

The fair values of derivative financial instruments that are not traded in an active market are estimated by management based on the valuation performed by an independent professional valuer using the Binomial Model. This valuation requires the Group to make estimates on dividend yield, net asset value volatility, option life, risk-free interest rate, and stock volatility of comparable companies, and hence they are subject to uncertainty. The fair values of the derivative financial instruments at 31 December 2016 were RMB491,403,000 (2015: RMB399,521,000). Further details are included in note 33 to the financial statements.

Impairment of trade and other receivables

The provision for impairment of trade and other receivables (other than other receivables for primary land development) of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. Significant estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables and other receivables at 31 December 2016 were RMB814,411,000 (2015: RMB597,033,000) and RMB700,980,000 (2015: RMB1,105,367,000), respectively. Further details are set out in notes 24 and 25 to the financial statements.

Recoverability of other receivables for primary land development

The Group has entered into certain cooperation agreements with the local government authorities under which the Group provides funding to the local government authorities for the primary land development of certain land parcels. Management estimates the expected repayment schedule and amounts and considers the discounting impact of the receivables. The provision for impairment of other receivables for primary land development of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. Significant estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the local government authorities. If the financial conditions of the local government authorities were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of other receivables for primary land development at 31 December 2016 was RMB2,183,015,000 (2015: RMB2,377,995,000). Further details are set out in note 25 to the financial statements.

Notes to Financial Statements (continued)

31 December 2016

4. Operating Segment Information

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

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

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;

(c) the business park operation and management segment engages in the provision of operation and management services to the business park projects owned by the local governments or other independent third parties;

(d) the construction, decoration and landscaping segment engages in property construction, the provision of interior decoration to property buyers and landscaping services to property projects;

(e) the property management segment engages in the provision of management services to properties; and

(f) the others segment comprises corporate income and expense items.

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

Segment assets exclude deferred tax assets, prepaid corporate income tax, prepaid land appreciation tax, amounts due from related parties, restricted cash and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude derivative financial liabilities, interest-bearing bank and other borrowings, amounts due to related parties, tax payable, provision for land appreciation tax and deferred tax liabilities as these liabilities 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.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Notes to Financial Statements (continued)

31 December 2016

4. Operating Segment Information (continued)

Year ended 31 December 2016

	Property development RMB'000	Property investment RMB'000	Business park operation and management RMB'000	Construction, decoration and landscaping RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	5,775,654	382,497	52,748	460,400	333,249	–	7,004,548
Segment results	1,066,098	506,235	(31,710)	9,669	49,230	(108,379)	1,491,143
Reconciliation:							
Interest income							55,102
Dividend income and unallocated gains							1,171
Corporate and other unallocated expenses							(238,318)
Finance costs							(278,346)
Profit before tax							1,030,752
Income tax expenses							(456,599)
Profit for the year							574,153
Segment assets	35,024,089	14,092,631	95,257	4,426,111	306,038	6,497,739	60,441,865
Reconciliation:							
Elimination of intersegment receivables							(27,718,632)
Corporate and other unallocated assets							3,236,269
Total assets							35,959,502
Segment liabilities	23,860,398	2,332,206	160,589	2,809,175	132,574	5,936,406	35,231,348
Reconciliation:							
Elimination of intersegment payables							(27,718,632)
Corporate and other unallocated liabilities							18,300,257
Total liabilities							25,812,973
Other segment information:							
Depreciation and amortisation	14,234	1,889	240	982	153	1,042	18,540
Capital expenditure*	5,181	114,491	2,592	4,742	3,052	302	130,360
Fair value gains on investment properties	–	201,219	–	–	–	–	201,219
Share of profits and losses of joint ventures	(57,630)	77,670	(850)	(3,681)	(43)	–	15,466
Share of losses of associates	(96,142)	–	–	–	–	–	(96,142)
Investments in joint ventures	987,122	645,414	170	34,054	2,457	–	1,669,217
Investments in associates	479,425	–	–	–	–	–	479,425

* Capital expenditure consists of additions to property, plant and equipment, additions to investment properties and additions to intangible assets.

Notes to Financial Statements (continued)

31 December 2016

4. Operating Segment Information (continued)

Year ended 31 December 2015

	Property development RMB'000	Property investment RMB'000	Business park operation and management RMB'000	Construction, decoration and landscaping RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	6,275,428	361,412	25,482	533,800	277,078	–	7,473,200
Segment results	1,188,199	476,858	(12,378)	38,864	38,172	(26,657)	1,703,058
Reconciliation:							
Interest income							59,402
Dividend income and unallocated gains							5,511
Corporate and other unallocated expenses							(15,344)
Finance costs							(311,004)
Profit before tax							1,441,623
Income tax expenses							(620,155)
Profit for the year							821,468
Segment assets	31,963,174	12,089,074	11,382	7,192,115	305,564	3,920,239	55,481,548
Reconciliation:							
Elimination of intersegment receivables							(24,511,019)
Corporate and other unallocated assets							3,547,659
Total assets							34,518,188
Segment liabilities	20,585,706	1,747,675	27,555	2,804,094	144,089	5,189,890	30,499,009
Reconciliation:							
Elimination of intersegment payables							(24,511,019)
Corporate and other unallocated liabilities							19,121,712
Total liabilities							25,109,702
Other segment information:							
Depreciation and amortisation	18,829	1,688	8	1,155	365	1,029	23,074
Capital expenditure*	2,260	110,519	91	1,883	485	1,554	116,792
Fair value gains on investment properties	–	215,066	–	–	–	–	215,066
Share of profits and losses of joint ventures	(13,853)	70,654	–	6,174	–	–	62,975
Share of losses of associates	(99,152)	–	–	–	–	–	(99,152)
Investments in joint ventures	1,517,971	775,655	–	37,735	–	–	2,331,361
Investments in associates	639,310	–	–	–	–	–	639,310

* Capital expenditure consists of additions to property, plant and equipment, additions to investment properties and additions to intangible assets.

Notes to Financial Statements (continued)

31 December 2016

5. Revenue, Other Income and Gains

Revenue represents the gross proceeds from the sale of properties, rental income received and receivable from investment properties, property management income received and receivable, an appropriate proportion of contract revenue from construction, decoration and landscaping, and business park operation and management service income received and receivable from the provision of operation and management services to the business park projects, all net of business tax, value-added tax and surcharges, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	Notes	2016 RMB'000	2015 RMB'000
Revenue			
Sale of properties		**5,775,654**	6,275,428
Rental income		**382,497**	361,412
Business park operation and management service income		**52,748**	25,482
Construction, decoration and landscaping income		**460,400**	533,800
Property management income		**333,249**	277,078
		7,004,548	7,473,200
Other income and gains			
Interest income		**55,102**	59,402
Dividend income		**1,171**	5,511
Government subsidies	(a)	**16,676**	27,937
Gains on remeasurement of pre-existing interests in joint ventures to the date of obtaining control and acquisition	38	**252,973**	—
Gains on bargain purchases	38	**330,140**	—
Others		**4,129**	41,883
		660,191	134,733

Note:

(a) Government subsidies have been received by the Group from government authorities in Mainland China mainly in respect of the operation of a recreational facility of the Group. The government subsidies have been recognised in the consolidated statement of profit or loss to the extent of operating expenses incurred up to the year ended 31 December 2016. There are no unfulfilled conditions or contingencies relating to these subsidies.

Notes to Financial Statements (continued)

31 December 2016

6. Profit Before Tax

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

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of properties sold		**4,697,335**	4,621,946
Cost of services provided		**656,217**	680,405
Depreciation	13	**15,316**	22,559
Amortisation of intangible assets*	16	**3,224**	515
Loss on disposal of items of property, plant and equipment		**7,772**	4,293
Gain on disposal of an investment property***		**2,321**	—
Impairment of trade receivables**	24	**19,270**	—
Fair value loss on derivative financial instruments**		**238,318**	15,344
Auditor's remuneration		**4,780**	4,019
Minimum lease payments under operating leases		**16,387**	6,600
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**211,755**	213,165
Pension scheme contributions		**39,144**	39,832
		250,899	252,997
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**106,531**	98,209
Foreign exchange differences, net**/#		**48,419**	(24,600)

* Included in "Administrative expenses" in the consolidated statement of profit or loss.

** Included in "Other expenses" in the consolidated statement of profit or loss.

*** Included in "Other income and gains" in the consolidated statement of profit or loss.

The foreign exchange differences, net for the prior year was included in "Other income and gains" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other loans	1,167,833	1,438,075
Less: Interest capitalised	(889,487)	(1,127,071)
	278,346	311,004

8. Directors' and Chief Executive Officer's Remuneration

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (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:

	2016 RMB'000	2015 RMB'000
Fees	900	900
Other emoluments:		
Salaries, allowances and benefits in kind	5,787	5,894
Discretionary bonuses	16,161	15,900
Pension scheme contributions	396	415
	22,344	22,209
	23,244	23,109

Notes to Financial Statements (continued)

31 December 2016

8. Directors' and Chief Executive Officer's Remuneration (continued)

The remuneration of each of the directors and chief executive officer for the year ended 31 December 2016 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Sun Yinhuan@	—	1,037	6,920	—	7,957
Mr. Sun Yinfeng@	—	791	2,164	90	3,045
Mr. Sun Yansheng*	—	1,653	1,300	36	2,989
Mr. Jiang Xiuwen#	—	1,177	1,806	90	3,073
Mr. Gao Wei	—	596	2,199	90	2,885
Mr. Wen Hongyu@	—	533	1,772	90	2,395
Mr. Zhang Zhichao$	—	—	—	—	—
Mr. Chen Donghui$	—	—	—	—	—
Ms. Ma Lan$	—	—	—	—	—
	—	5,787	16,161	396	22,344
Non-executive directors:					
Mr. Sun Yansheng*	—	—	—	—	—
Mr. Chen Chao&	—	—	—	—	—
Mr. Zhao Xiaodong&	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors:					
Mr. Ip Yuk Chi Eddie^	300	—	—	—	300
Mr. Yip Wai Ming	300	—	—	—	300
Mr. Guo Shaomu	300	—	—	—	300
Mr. Wang Yinping%	—	—	—	—	—
Mr. Han Gensheng%	—	—	—	—	—
	900	—	—	—	900
	900	5,787	16,161	396	23,244

@ Resigned as executive director on 31 December 2016.

Appointed as the chief executive officer of the Company on 31 December 2016.

$ Appointed as executive director on 31 December 2016.

* Resigned as the chief executive officer and redesignated as non-executive director on 31 December 2016.

& Appointed as non-executive director on 31 December 2016.

^ Resigned as independent non-executive director on 31 December 2016.

% Appointed as independent non-executive director on 31 December 2016.

8. Directors' and Chief Executive Officer's Remuneration (continued)

The remuneration of each of the directors and chief executive officer for the year ended 31 December 2015 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Sun Yinhuan	—	1,116	6,920	—	8,036
Mr. Sun Yinfeng	—	850	2,164	83	3,097
Mr. Sun Yansheng	—	1,706	1,300	83	3,089
Mr. Jiang Xiuwen	—	1,050	1,644	83	2,777
Mr. Gao Wei	—	611	2,096	83	2,790
Mr. Wen Hongyu	—	561	1,776	83	2,420
	—	5,894	15,900	415	22,209
Independent non-executive directors:					
Mr. Ip Yuk Chi Eddie	300	—	—	—	300
Mr. Yip Wai Ming	300	—	—	—	300
Mr. Guo Shaomu	300	—	—	—	300
	900	—	—	—	900
	900	5,894	15,900	415	23,109

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

9. Five Highest Paid Individuals

The five highest paid individuals of the Group during each of the years ended 31 December 2016 and 2015 are directors of the Company, details of whose remuneration for these years are set out in note 8 to the financial statements.

Notes to Financial Statements (continued)

31 December 2016

10. Income Tax Expenses

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: 16.5%). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the year.

An analysis of the income tax charges for the year is as follows:

	2016 RMB'000	2015 RMB'000
Current — Hong Kong		
Charge for the year	—	3,614
Current — PRC		
Charge of corporate income tax for the year	297,631	286,785
Land appreciation tax (note 31)	191,072	257,285
Overprovision of PRC land appreciation tax in prior years*	(38,099)	—
	450,604	547,684
Deferred (note 32):		
Current year	(3,530)	72,471
Reversal of deferred tax assets on LAT overprovided in prior years	9,525	—
	5,995	72,471
Total tax charge for the year	456,599	620,155

* During the year ended 31 December 2016, the Group filed and agreed with the local tax bureau in the PRC the computation for the LAT of certain property development projects that had been completed and sold in previous years. As a result of the local tax bureau's assessments, the Group has reversed and recognised an overprovision of LAT on the relevant property development projects of RMB38,099,000 in the consolidated statement of profit or loss.

Notes to Financial Statements (continued)

31 December 2016

10. Income Tax Expenses (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate for the year, are as follows:

	2016		2015	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,030,752**		1,441,623	
At the statutory income tax rate	**257,688**	**25.0**	360,406	25.0
Tax losses utilised from previous periods	**(4,615)**	**(0.4)**	(55,058)	(3.8)
Profits and losses attributable to joint ventures and associates	**20,169**	**2.0**	10,024	0.7
Income not subject to tax	**(170,010)**	**(16.5)**	(1,378)	(0.1)
Effect of withholding tax at prevailing tax rate on the distributable profits of the Group's PRC subsidiaries	**77,300**	**7.5**	—	—
Expenses not deductible for tax	**90,624**	**8.8**	32,931	2.3
Tax losses not recognised	**70,713**	**6.8**	80,266	5.6
Reversal of an overprovision for LAT in prior years	**(38,099)**	**(3.7)**	—	—
Reversal of deferred tax effect on an overprovision for LAT in prior years	**9,525**	**0.9**	—	—
LAT	**191,072**	**18.5**	257,285	17.8
Tax effect of LAT	**(47,768)**	**(4.6)**	(64,321)	(4.5)
Tax charge at the Group's effective rate	**456,599**	**44.3**	620,155	43.0

The share of tax attributable to joint ventures amounting to RMB49,645,000 (2015: share of tax credit RMB18,492,000) is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

The share of tax credit attributable to associates amounting to RMB34,476,000 (2015: RMB28,038,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

Notes to Financial Statements (continued)

31 December 2016

11. Dividend

	2016 RMB'000	2015 RMB'000
Proposed final — RMB3.2 cents (2015: RMB5.1 cents) per ordinary share	**82,687**	132,511

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amounts is based on the profit for the year attributable to the ordinary equity holders of the parent of RMB564,000,000 (2015: RMB821,263,000), and the weighted average number of ordinary shares of 2,583,970,000 (2015: 2,583,970,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 as the Group had no potentially diluted ordinary shares in issue during those years.

Notes to Financial Statements (continued)

31 December 2016

13. Property, Plant and Equipment

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
31 December 2016					
At 31 December 2015 and at 1 January 2016:					
Cost	117,097	58,641	25,215	42,116	243,069
Accumulated depreciation	(52,370)	(39,333)	(18,867)	(33,308)	(143,878)
Net carrying amount	64,727	19,308	6,348	8,808	99,191
At 1 January 2016, net of accumulated depreciation	64,727	19,308	6,348	8,808	99,191
Additions	3,675	248	494	5,428	9,845
Obtaining control/acquisition of subsidiaries (note 38)	1,629	—	1,139	878	3,646
Depreciation provided during the year	(7,440)	(337)	(920)	(6,619)	(15,316)
Write-off/disposal	(218)	(4,185)	(2,734)	(654)	(7,791)
Exchange realignment	—	—	—	19	19
At 31 December 2016, net of accumulated depreciation	62,373	15,034	4,327	7,860	89,594
At 31 December 2016:					
Cost	126,974	50,007	23,833	47,440	248,254
Accumulated depreciation	(64,601)	(34,973)	(19,506)	(39,580)	(158,660)
Net carrying amount	62,373	15,034	4,327	7,860	89,594

Notes to Financial Statements (continued)

31 December 2016

13. Property, Plant and Equipment (continued)

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
31 December 2015					
At 1 January 2015:					
Cost	118,870	61,397	26,324	42,263	248,854
Accumulated depreciation	(47,023)	(35,063)	(17,394)	(30,746)	(130,226)
Net carrying amount	71,847	26,334	8,930	11,517	118,628
At 1 January 2015, net of accumulated depreciation	71,847	26,334	8,930	11,517	118,628
Additions	—	1,633	2,651	3,131	7,415
Depreciation provided during the year	(5,348)	(8,120)	(3,964)	(5,127)	(22,559)
Write-off/disposal	(1,772)	(539)	(1,269)	(713)	(4,293)
At 31 December 2015, net of accumulated depreciation	64,727	19,308	6,348	8,808	99,191
At 31 December 2015:					
Cost	117,097	58,641	25,215	42,116	243,069
Accumulated depreciation	(52,370)	(39,333)	(18,867)	(33,308)	(143,878)
Net carrying amount	64,727	19,308	6,348	8,808	99,191

At 31 December 2016, a building of the Group with a carrying value of RMB56,134,000 (2015: RMB61,547,000) was pledged to a financial institution to secure the loans granted to the Group (note 30).

Notes to Financial Statements (continued)

31 December 2016

14. Investment Properties

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2015	8,139,370	2,916,560	11,055,930
Additions	7,790	101,133	108,923
Transfers from investment properties under construction to completed investment properties	510,218	(510,218)	—
Transfers from completed properties held for sale	106,381	—	106,381
Net gains from fair value adjustments	201,941	13,125	215,066
Carrying amount at 31 December 2015 and 1 January 2016	**8,965,700**	**2,520,600**	**11,486,300**
Additions	**52,605**	**58,409**	**111,014**
Disposals	**(3,500)**	**—**	**(3,500)**
Transfers from investment properties under construction to completed investment properties	**721,000**	**(721,000)**	**—**
Net gains from fair value adjustments	**200,545**	**674**	**201,219**
Carrying amount at 31 December 2016	**9,936,350**	**1,858,683**	**11,795,033**

At 31 December 2016, certain of the Group's investment properties of RMB11,156,972,000 (2015: RMB11,405,362,000) were pledged to banks to secure the loans granted to the Group (note 30).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

Notes to Financial Statements (continued)

31 December 2016

14. Investment Properties (continued)

The Group's completed investment properties and investment properties under construction, which were stated at fair value, were revalued at the end of the reporting period by DTZ Cushman & Wakefield Limited, independent professionally qualified valuers.

For completed investment properties, valuations were based on the capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

For investment properties under construction which were stated at fair value at 31 December 2016 and 2015, valuations were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan.

In the opinion of the Directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use. Included in the Group's investment properties are certain completed investment properties and investment properties under construction measured at fair value in the aggregate carrying amount of RMB1,384,000,000 (2015: RMB1,292,000,000) as at 31 December 2016, which are subject to restrictions on sale and transfer, but may be leased to tenants that are engaged in software research and development and outsourcing services.

Movement for investment properties that are measured at fair value:

	Completed RMB'000	**Under construction** RMB'000	**Total** RMB'000
At 1 January 2015	8,139,370	2,356,823	10,496,193
Additions	7,790	101,093	108,883
Transfers from investment properties under construction to completed investment properties	510,218	(510,218)	—
Transfers from completed properties held for sale	106,381	—	106,381
Net gains from fair value adjustments	201,941	13,125	215,066
At 31 December 2015 and 1 January 2016	**8,965,700**	**1,960,823**	**10,926,523**
Additions	**52,605**	**57,920**	**110,525**
Disposal	**(3,500)**	**—**	**(3,500)**
Transfers from investment properties under construction to completed investment properties	**721,000**	**(721,000)**	**—**
Net gains from fair value adjustments	**200,545**	**674**	**201,219**
At 31 December 2016	**9,936,350**	**1,298,417**	**11,234,767**

14. Investment Properties (continued)

Unrealised gains included in the consolidated statement of profit or loss for completed investment properties for the year ended 31 December 2016 amounted to RMB200,545,000 (2015: RMB201,941,000).

Unrealised gains included in the consolidated statement of profit or loss for investment properties under construction for the year ended 31 December 2016 amounted to RMB674,000 (2015: RMB13,125,000).

Investment properties which have been measured at cost included in the consolidated statement of financial position as at 31 December 2016 were RMB560,266,000 (2015: RMB559,777,000).

Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average) 2016	2015
Completed	Income approach (refer above)			
Retail		Estimated yearly rental value per square metre (RMB)	**513–2,056**	409–2,004
Office		Estimated yearly rental value per square metre (RMB)	**564–879**	565–873
Car park		Estimated yearly rental value per lot (RMB)	**3,564–5,012**	3,564–5,012
Retail		Capitalisation rate	**5%–6%**	5%–6%
Office		Capitalisation rate	**4.5%–5%**	4.5%–5%
Car park		Capitalisation rate	**3.5%–4%**	3.5%–4%
Under construction	Residual approach (refer above)			
Office		Estimated yearly rental value per square metre (RMB)	**699–727**	665–749
Car park		Estimated yearly rental value per lot (RMB)	**4,198–4,288**	3,564–4,243
Retail		Capitalisation rate	**5%**	5%
Office		Capitalisation rate	**5%**	5%
Car park		Capitalisation rate	**3.5%**	3.5%–4%
Retail, office and car park		Development profit	**2%–7%**	1%–8%

A significant increase/(decrease) in the estimated yearly rental value per square metre or per lot in isolation would result in a significantly higher/(lower) fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

Generally, a change in the assumption made for the estimated yearly rental value per square metre or per lot is accompanied by a directionally similar change in the development profit and an opposite change in the capitalisation rate.

Notes to Financial Statements (continued)

31 December 2016

15. Land Held for Development for Sale

	2016 **RMB'000**	2015 RMB'000
Carrying amount at beginning of year	**946,563**	1,109,806
Obtaining control/acquisition of subsidiaries (note 38)	**549,918**	—
Transfer from prepayments for acquisition of land	**—**	216,057
Transfer to properties under development	**(158,857)**	(379,300)
Carrying amount at end of year	**1,337,624**	946,563
Current portion	**(607,203)**	(131,047)
Non-current portion	**730,421**	815,516

At 31 December 2016, certain of the Group's land held for development for sale of RMB840,726,000 (2015: RMB946,563,000) were pledged to banks to secure the bank and other loans granted to the Group (note 30).

16. Intangible Assets

	Software licences RMB'000
At 1 January 2015	10,906
Additions during the year	454
Amortisation during the year	(515)
At 31 December 2015 and 1 January 2016	10,845
Additions during the year	9,501
Obtaining control/acquisition of subsidiaries (note 38)	55
Amortisation during the year	(3,224)
At 31 December 2016	17,177

Notes to Financial Statements (continued)

31 December 2016

17. Investments in Joint Ventures

	2016 RMB'000	2015 RMB'000
Share of net assets	**1,669,217**	2,331,361

The Group's other payable balances due to joint ventures are disclosed in note 29 to the financial statements.

Particulars of the joint ventures, all of which are unlisted corporate entities, are as follows:

Company name	Registered and paid-up capital	Place of registration/ business	Percentage of ownership interest		Principal activities
			2016	2015	
Dalian Ambo*#&	RMB427,600,000	The PRC/ Mainland China	**–**	51	Property development
Dalian Shitong*#&	RMB550,000,000	The PRC/ Mainland China	**–**	51	Property development
Dalian Software Park Ascendas Development Company Limited (大連軟件園騰飛發展有限公司)@@#	US$52,700,000	The PRC/ Mainland China	**50**	50	Property investment
Wuhan NSP (武漢軟件新城發展有限公司)*@#%	RMB400,000,000	The PRC/ Mainland China	**–**	42	Property investment
Dalian Yida Deji Decoration Engineering Company Limited (大連億達德基裝飾工程有限公司)*@@#	RMB10,800,000	The PRC/ Mainland China	**50**	50	Interior decoration
Dalian Yize Property Development Company Limited (大連億澤房地產開發有限公司)@@#	RMB314,770,000	The PRC/ Mainland China	**52.57**	52.57	Property development
Dalian Yihong Property Development Company Limited (大連億鴻房地產開發有限公司)@@#	RMB347,200,000	The PRC/ Mainland China	**52.57**	52.57	Property development

Notes to Financial Statements (continued)

31 December 2016

17. Investments in Joint Ventures (continued)

Particulars of the joint ventures, all of which are unlisted corporate entities, are as follows: (continued)

Company name	Registered and paid-up capital	Place of registration/ business	Percentage of ownership interest 2016	2015	Principal activities
Dalian Qingyun Sky Realty and Development Company Limited (大連青雲天下房地產開發有限公司)*@@^	RMB2,963,280,000	The PRC/ Mainland China	**25**	25	Property development
Panasonic Yida Decoration Co., Ltd. (松下億達裝飾工程有限公司)*	RMB50,000,000	The PRC/ Mainland China	**49**	49	Decoration
Shenzhen Shenlong Yida BEST City Development Company Limited (深圳市深龍億達科技園發展有限公司)*@#	RMB5,000,000	The PRC/ Mainland China	**55**	55	Business park investment and management
Dalian Qingyun Sky Property Service Company Limited (大連青雲天下物業服務有限公司)*@#	RMB5,000,000	The PRC/ Mainland China	**50**	—	Property management
Chengdu Yida Chuangzhi Park Zone Operation Management Company Limited (成都億達創智園區運營管理有限公司)*@#	RMB2,000,000	The PRC/ Mainland China	**51**	—	Business park investment and management
Eagle Fit Limited ("Eagle Fit")*	US$200	British Virgin Islands	**35**	35	Dormant

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

@ Registered as domestic limited liability companies under PRC law.

@@ Registered as Sino-foreign joint ventures under PRC law.

& Dalian Ambo and Dalian Shitong, which were considered to be joint ventures of the Group as at 31 December 2015 and were registered as Sino-foreign joint ventures under PRC law, were accounted for using the equity method until the acquisition of all the remaining equity interests during the current year by the Group, and Dalian Ambo and Dalian Shitong have since then become wholly-owned subsidiaries of the Group. As at 31 December 2016, the Group's interests in Dalian Ambo and Dalian Shitong were 100% and Dalian Ambo and Dalian Shitong became domestic limited liability companies under PRC law.

% Wuhan NSP, which was considered to be a joint venture of the Group as at 31 December 2015, was accounted for using the equity method until the Group obtained the control of Wuhan NSP during the current year and Wuhan NSP has since then become a subsidiary of the Group. As at 31 December 2016, the Group's interest in Wuhan NSP was 42%.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies did not register any official English names.

^ Material joint venture

Notes to Financial Statements (continued)

31 December 2016

17. Investments in Joint Ventures (continued)

Summarised financial information, which represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs, in respect of the Group's material joint venture is set out below.

Dalian Qingyun Sky Realty and Development Company Limited, which is considered a material joint venture of the Group, co-develops a property development project with the other joint venture partner in Mainland China and is accounted for using the equity method.

Dalian Qingyun Sky Realty and Development Company Limited:

	2016 **RMB'000**	2015 RMB'000
Current assets	**3,122,598**	2,945,452
Non-current assets	**5,240**	1,637
Current liabilities	**(318,681)**	(28,145)
Non-current liabilities	**—**	(79,703)
	2,809,157	2,839,241

The above amounts of assets and liabilities include the following:

	2016 **RMB'000**	2015 RMB'000
Cash and cash equivalents	**13,464**	361
Current financial liabilities (excluding trade and other payables and accruals)	**—**	(2,000)
Non-current financial liabilities (excluding trade and other payables and accruals)	**—**	(79,703)
Revenue	**—**	—
Cost of sales and operating expenses	**(30,085)**	(9,169)
Loss before tax	**(30,085)**	(9,169)
Income tax expense	**—**	—
Loss for the year and total comprehensive loss for the year	**(30,085)**	(9,169)
The above loss for the year includes the following:		
Depreciation and amortisation	**(536)**	(156)
Interest income	**324**	3,469
Interest expense	**(18)**	(206)

Notes to Financial Statements (continued)

31 December 2016

17. Investments in Joint Ventures (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated statement of financial position:

	2016 RMB'000	2015 RMB'000
Net assets of the joint venture	2,809,157	2,839,241
Group's effective interest	25%	25%
Carrying amount of the Group's interest in the joint venture	702,289	709,810

Aggregate information of joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
The Group's share of profit	22,987	65,267
The Group's share of total comprehensive income	22,987	65,267

	2016 RMB'000	2015 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	966,928	1,621,551

The joint ventures had the following contingent liabilities at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of a joint venture's properties	72,714	79,178

The joint ventures cannot distribute their profits until they obtain the consent of the joint venturers.

Notes to Financial Statements (continued)

31 December 2016

18. Investments in Associates

	2016 RMB'000	2015 RMB'000
Share of net assets	**452,290**	538,222
Loans to associates	**27,135**	101,088
	479,425	639,310

The loans to associates are unsecured, interest-free and are not repayable within one year.

Particulars of the associates, which are unlisted corporate entities, are as follows:

Company name	Registered and paid-up capital	Place of registration/ business	Percentage of ownership interest 2016	2015	Principal activities
Richcoast Group Limited ("Richcoast Group")*	US$780	British Virgin Islands/ Mainland China	**10.26**	10.26	Investment holding
Dalian Delan Software Development Co., Ltd.*	RMB300,000,000	The PRC/ Mainland China	**30.00**	30.00	Property development
Dalian Jiadao Information Co., Ltd.*	RMB300,000,000	The PRC/ Mainland China	**30.00**	30.00	Property development
Dalian Qiantong Science & Technology Development Co., Ltd.*	RMB800,000,000	The PRC/ Mainland China	**30.00**	30.00	Property development
Dalian Ruisheng Software Development Co., Ltd.*	RMB800,000,000	The PRC/ Mainland China	**30.00**	30.00	Property development
Hunan Jinke Yida Estate Development Company Limited (湖南金科億達產業發展有限公司)*#	RMB100,000,000	The PRC/ Mainland China	**10.00**	10.00	Business park investment and management
Chongqing Jinke Kejian Real Estate Company Limited (重慶金科科健置業有限公司)*#	RMB50,000,000	The PRC/ Mainland China	**10.00**	—	Property management
Crown Speed Investments Limited*	HK$10,000	Hong Kong/ Mainland China	**21.22**	21.22	Investment holding

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

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies did not register any official English names.

Notes to Financial Statements (continued)

31 December 2016

18. Investments in Associates (continued)

The Group did not have any material associates for the year. The following table illustrates the aggregate financial information of the Group's associates that are not individually material.

	2016 RMB'000	2015 RMB'000
The Group's share of loss	(96,142)	(99,152)
The Group's share of total comprehensive loss	(96,142)	(99,152)
Aggregate carrying amount of the Group's interests in the associates	452,290	538,222

19. Available-for-sale Investments

	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost	24,540	24,540

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at the end of the reporting period, the above investments were stated at cost because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably.

20. Properties Under Development

	2016 RMB'000	2015 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	6,919,490	5,049,279
Properties under development expected to be completed within normal operating cycle and recoverable:		
— Within one year	4,483,381	2,443,490
— After one year	2,436,109	2,605,789
	6,919,490	5,049,279

At 31 December 2016, certain of the Group's properties under development of RMB4,452,927,000 (2015: RMB4,865,005,000) were pledged to banks to secure the loans granted to the Group (note 30).

Notes to Financial Statements (continued)

31 December 2016

21. Completed Properties Held for Sale

The completed properties held for sale are stated at lower of cost and net realisable value.

22. Construction Contracts

	2016 RMB'000	2015 RMB'000
Gross amount due from contract customers	132,940	78,531
Gross amount due to contract customers	(518,183)	(510,819)
	(385,243)	(432,288)
Contract costs incurred plus recognised profits less recognised losses to date	4,833,732	4,770,828
Less: Progress billings	(5,218,975)	(5,203,116)
	(385,243)	(432,288)

At 31 December 2016, retentions held by customers for contract works included in trade receivables amounted to approximately RMB52,171,000 (2015: RMB27,540,000).

23. Inventories

	2016 RMB'000	2015 RMB'000
Construction materials	8,172	6,168

24. Trade Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	833,681	597,033
Impairment	(19,270)	—
	814,411	597,033

Notes to Financial Statements (continued)

31 December 2016

24. Trade Receivables (continued)

Trade receivables mainly represent receivables for contract works. The payment terms of contract works receivables are stipulated in the relevant contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired		
Within 1 year	**630,848**	445,309
1 to 2 years	**82,278**	79,522
Over 2 years	**67,028**	28,407
Past due but not impaired		
1 to 2 years	**34,257**	43,795
	814,411	597,033

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	RMB'000
At beginning of year	**—**	—
Impairment losses recognised (note 6)	**19,270**	—
At end of year	**19,270**	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB19,270,000 (2015: Nil) with a carrying amount before provision of RMB19,270,000 (2015: Nil).

The individually impaired trade receivables relate to a customer that was in financial difficulties and the receivables is expected not to be recovered.

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.

24. Trade Receivables (continued)

As at 31 December 2016, included in the Group's trade receivables are amounts due from related companies controlled by Yida Group Co., Ltd. (a company controlled by Right Won Management Limited ("Right Won"), the former ultimate holding company of the Company) of RMB24,386,000 (2015: RMB21,197,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2016, included in the Group's trade receivables are amounts due from the Group's joint ventures of RMB126,214,000 (2015: RMB221,278,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2016, included in the Group's trade receivables are amounts due from the Group's associates of RMB95,375,000 (2015: RMB54,590,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

25. Prepayments, Deposits and Other Receivables

	2016 RMB'000	2015 RMB'000
Prepayments	409,939	367,796
Deposits and other receivables	2,883,995	3,644,163
Carrying amount at end of year	3,293,934	4,011,959
Current portion	(2,679,039)	(3,433,081)
Non-current portion	614,895	578,878

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2016, included in the Group's other receivables are amounts due from joint ventures of RMB47,074,000 (2015: RMB730,115,000), which are unsecured, interest-free and repayable on demand.

At 31 December 2016, included in the Group's other receivables are advances of RMB2,183,015,000 (2015: RMB2,377,995,000) to certain local government authorities in Dalian, the PRC, in connection with the primary land development of certain land parcels in Dalian, the PRC.

As at 31 December 2016, included in the Group's other receivables is an amount due from a joint venture of RMB38,000,000 (2015: RMB38,000,000), which is unsecured, bears interest at 6.4% per annum and is repayable in 2017. An amount due from a joint venture of RMB4,650,000, which was unsecured and bore interest at 5.06% per annum was included in the Group's other receivables as at 31 December 2015. The balance has been settled during the current year.

Notes to Financial Statements (continued)

31 December 2016

25. Prepayments, Deposits and Other Receivables (continued)

As at 31 December 2016, included in the Group's other receivables are amounts due from associates of RMB329,489,000, which are unsecured, bear interest at rates ranging from 4.8% to 5.2% per annum and are repayable in 2017. As at 31 December 2015, included in the Group's other receivables were amounts due from associates of RMB231,364,000, which were unsecured and bore interest at rates ranging from 4.8% to 6.2% per annum. The balance has been settled during the current year.

26. Cash and Cash Equivalents and Restricted Cash

	2016 **RMB'000**	2015 RMB'000
Cash and bank balances	**2,903,152**	3,310,719
Less: Restricted cash (notes)	**(1,047,113)**	(2,252,154)
Cash and cash equivalents	**1,856,039**	1,058,565

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB2,894,424,000 (2015: RMB3,253,286,000). 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.

Notes:

(a) According to the relevant loan facility agreements signed by certain subsidiaries of the Group with the banks, the subsidiaries are required to place the pre-sale proceeds from their properties at designated bank accounts. The deposits can only be used for the payment of property development costs incurred by the subsidiaries and the repayment of the relevant loans. At 31 December 2016, such guarantee deposits amounted to RMB770,389,000 (2015: RMB444,933,000).

(b) According to the relevant construction safety regulation implemented by the local government, certain subsidiaries of the Group are required to place at designated bank accounts certain amounts as deposits for potential industrial accidents during construction works. At 31 December 2016, such deposits amounted to RMB21,724,000 (2015: RMB43,733,000).

(c) At 31 December 2016, certain of the Group's time deposits of RMB255,000,000 (2015: RMB1,763,488,000) were pledged to banks to secure the bank and other loans granted to the Group (note 30).

Notes to Financial Statements (continued)

31 December 2016

27. Receipts in Advance

Receipts in advance of the Group represented amounts received from buyers in connection with the pre-sale of properties during the year.

28. Trade Payables

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

	2016 RMB'000	2015 RMB'000
Due within 1 year or on demand	1,922,538	1,511,580
Due within 1 to 2 years	710,575	652,056
	2,633,113	2,163,636

The trade payables are non-interest-bearing and unsecured.

As at 31 December 2016, included in the Group's trade payables are amounts due to the Group's joint ventures of RMB72,755,000 (2015: RMB80,138,000), which are unsecured, interest-free and repayable within one to two years.

29. Other Payables and Accruals

	2016 RMB'000	2015 RMB'000
Accruals	336,392	211,071
Other payables	1,237,737	840,540
Carrying amount at end of the year	1,574,129	1,051,611
Current portion	(1,500,759)	(953,641)
Non-current portion	73,370	97,970

As at 31 December 2016, included in the Group's other payables are amounts due to joint ventures of RMB161,175,000 (2015: RMB351,236,000), which are unsecured, interest-free and repayable within one year.

Notes to Financial Statements (continued)

31 December 2016

30. Interest-Bearing Bank and Other Borrowings

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**4.09–8.71**	**2017**	**2,549,688**	2.09–14.00	2016	6,214,549
Other loans — secured	**1.20–12.00**	**2017**	**1,487,900**	6.15–12.00	2016	1,833,800
Other loans — unsecured	**3.00–4.75**	**2017**	**34,480**	4.57–4.75	2016	215,000
			4,072,068			8,263,349
Non-current						
Bank loans — secured	**3.58–8.71**	**2018–2024**	**4,574,800**	3.58–9.00	2017–2024	4,828,459
Other loans — secured	**1.20–12.00**	**2018–2025**	**3,309,300**	1.20–12.00	2017–2025	2,153,200
Other loans — unsecured	**6.76–7.10**	**2020–2021**	**3,054,607**	6.76	2020	986,028
			10,938,707			7,967,687
			15,010,775			16,231,036

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,549,688**	6,214,549
In the second year	**730,610**	2,511,269
In the third to fifth years, inclusive	**2,509,736**	1,686,640
Beyond five years	**1,334,454**	630,550
	7,124,488	11,043,008
Other loans repayable:		
Within one year or on demand	**1,522,380**	2,048,800
In the second year	**2,929,800**	813,700
In the third to fifth years, inclusive	**3,416,607**	2,308,028
Beyond five years	**17,500**	17,500
	7,886,287	5,188,028
	15,010,775	16,231,036

30. Interest-Bearing Bank and Other Borrowings (continued)

(a) Included in other loans of the Group are corporate bonds in aggregate principal amounts of RMB1,000,000,000 due in 2020 and RMB2,000,000,000 due in 2021 issued by a subsidiary of the Group in September 2015 and March 2016 (the "Corporate Bonds"), respectively. The Corporate Bonds are unsecured, have a term of five years and bear interest at rates of 6.0% and 6.5% per annum, respectively.

(b) Certain of the Group's bank and other loans are secured or guaranteed by:

(i) mortgages over the Group's properties under development with an aggregate carrying value at 31 December 2016 of approximately RMB4,452,927,000 (2015: RMB4,865,005,000);

(ii) pledges of the Group's investment properties with an aggregate carrying value at 31 December 2016 of approximately RMB11,156,972,000 (2015: RMB11,405,362,000);

(iii) pledges of the Group's land held for development for sale with an aggregate carrying value at 31 December 2016 of approximately RMB840,726,000 (2015: RMB946,563,000);

(iv) pledges of the Group's completed properties held for sale with an aggregate carrying value at 31 December 2016 of approximately RMB1,590,526,000 (2015: RMB2,597,759,000);

(v) pledge of a building of the Group with a carrying value at 31 December 2016 of approximately RMB56,134,000 (2015: RMB61,547,000);

(vi) pledge of the Group's prepayment for acquisition of land with a carrying value at 31 December 2016 of approximately RMB249,655,000 (2015: RMB249,655,000);

(vii) corporate guarantees executed by certain subsidiaries of the Group to the extent of RMB8,952,188,000 (2015: RMB10,962,120,000) as at 31 December 2016;

(viii) pledges of certain equity interests of the subsidiaries of the Company as at the end of the reporting period;

(ix) pledges of certain of the Group's time deposits with an aggregate carrying value at 31 December 2016 of approximately RMB255,000,000 (2015: RMB1,763,488,000); and

(x) the assignment of property management fee and rental income from certain properties.

(c) Other than certain other borrowings with a carrying amount of RMB513,338,000 (2015: RMB509,488,000) denominated in United States dollars as at 31 December 2016, all bank and other borrowings of the Group are denominated in RMB as at 31 December 2016 and 2015.

(d) As at 31 December 2016, included in other loans of the Group are loans from joint ventures with principal amounts of RMB21,000,000 (2015: RMB21,000,000), which is unsecured, bears interest at 4.75% per annum and is repayable on demand, and RMB13,480,000 (2015: Nil), which is unsecured, bears interest at 3% per annum and repayable on demand, respectively. As at 31 December 2015, a loan from a joint venture with principal amount of RMB194,000,000 was included in other loans of the Group, which was unsecured, bore interest at 5.3% per annum and was repaid in 2016.

Notes to Financial Statements (continued)

31 December 2016

31. Provision for Land Appreciation Tax

	RMB'000
At 1 January 2015	367,577
Charged to the consolidated statement of profit or loss during the year (note 10)	257,285
Payment for the year	(217,102)
At 31 December 2015 and 1 January 2016	407,760
Charged to the consolidated statement of profit or loss during the year (note 10)	191,072
Overprovision in prior years (note 10)	(38,099)
Payment for the year	(161,670)
At 31 December 2016	399,063

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included a 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.

32. Deferred Tax

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**141,330**	140,839
Deferred tax liabilities	**(1,798,436)**	(1,602,233)
	(1,657,106)	(1,461,394)

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

	Unrealised profits from intra-group transactions RMB'000	**Provision for LAT** RMB'000	**Revaluation of investment properties** RMB'000	**Fair value adjustments arising from obtaining control/ acquisition of subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2015	67,649	91,894	(1,548,466)	—	(1,388,923)
(Charged)/credited to the consolidated statement of profit or loss during the year (note 10)	(28,750)	10,046	(53,767)	—	(72,471)
At 31 December 2015 and 1 January 2016	38,899	101,940	(1,602,233)	—	(1,461,394)
(Charged)/credited to the consolidated statement of profit or loss during the year (note 10)	(8,913)	(6,277)	(50,305)	59,500	(5,995)
Obtaining control/acquisition of subsidiaries (note 38)	—	—	—	(189,717)	(189,717)
At 31 December 2016	29,986	95,663	(1,652,538)	(130,217)	(1,657,106)

The Group had unutilised tax losses of approximately RMB1,227,933,000 (2015: RMB963,541,000) as at 31 December 2016, that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entities in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related benefits through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of such unutilised tax losses as the realisation of the related benefits is uncertain.

Notes to Financial Statements (continued)

31 December 2016

32. 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. A lower withholding tax rate may be levied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As 31 December 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings 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 such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,543,156,000 (2015: RMB4,020,130,000) as at 31 December 2016.

During the year, due to the change in the ultimate holding company of the Company, certain PRC subsidiaries of the Group declared dividends amounting to RMB1,348,000,000 to their foreign investor parents and paid withholding tax amounting to RMB77,300,000.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. Derivative Financial Instruments

	2016 RMB'000	2015 RMB'000
Liabilities		
Current		
Call and put options, net	**491,403**	399,521

In April 2010 and November 2011, the Group granted a total of four put options to certain joint venture partners to sell their interests in certain joint ventures to the Group, which can be exercised at any time after the expiry of the first 54 months after the date of initial investments or after the pre-sale of a certain percentage of saleable construction area and a certain percentage of saleable construction area is delivered, whichever is earlier, at the option price determined based on the adjusted net asset value of the joint ventures.

In December 2013, a supplemental agreement was signed between certain subsidiaries of the Group and the joint venture partners and two of the put options were modified. Besides, a new put option was granted to the joint venture partners and, after an agreed amount has been paid by the Group, a new call option will be granted by the joint venture partners to the Group which can be exercised at any time within the first 54 months after the date of initial investments.

33. Derivative Financial Instruments (continued)

The new call option and put options are correlated and offset against each other and the net balance is recorded as derivative liabilities in the consolidated statement of financial position and carried at fair value with reference to a valuation performed by an independent professional valuer using the Binomial Model.

Description of valuation techniques used and key inputs to valuation on put options:

		Range/weighted average	
Valuation technique	**Significant unobservable inputs**	**31 December 2016**	31 December 2015
Binomial model	Dividend yield	**0%**	0%
	Net asset value volatility	**14.26%–15.39%**	17.27%–25.46%
	Option life (year(s))	**0.26–0.50**	0.25–1.0
	Risk-free interest rate	**2.44%–3.05%**	2.19%–2.34%
	Stock volatility of comparable companies	**23.07%–25.34%**	28.10%–44.49%

Generally, a change in the assumption made for the net asset value volatility is accompanied by a directionally similar change in the risk-free interest rate and an opposite change in the dividend yield, the option life and stock volatility.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in combined net effect of the dividend yield, net asset value volatility, risk-free interest rate and stock volatility of comparable companies (collectively the "Combined factors").

	Increase/ (decrease) in basis points	**Combined net effect on profit before tax** RMB'000
31 December 2016		
Combined factors	**100**	**(3,307)**
Combined factors	**(100)**	**3,549**
31 December 2015		
Combined factors	100	(1,833)
Combined factors	(100)	2,176

In November 2014 and June 2015, the Group received notices served by certain joint venture partners during the option exercise period in respect of the exercise of certain put options. The acquisition of the equity interests in the joint ventures being subject to the put options exercised has been completed in December 2016.

Notes to Financial Statements (continued)

31 December 2016

33. Derivative Financial Instruments (continued)

In June 2016, the Group received notices served by certain joint venture partners during the option exercise period in respect of the exercise of certain put options. As at the date of approval of these financial statements, the acquisition of the equity interests in the joint ventures being subject to the put options exercised has not been completed as the relevant joint venture partners and the Group are still in the process of finalising the arrangement and certain terms of the transactions.

34. Share Capital

	2016	2015
	RMB'000	RMB'000
Authorised:		
50,000,000,000 shares of US$0.01 each	**3,124,300**	3,124,300
Issued and fully paid:		
2,583,970,000 ordinary shares of US$0.01 each	**159,418**	159,418

35. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of motivating eligible participants to optimise their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain an on-going business relationship with such eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the Scheme include the Directors, including independent non-executive directors, executives or officers of the Group, full-time or part-time employees of the Group, and advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Directors will contribute or have contributed to the Group. The Scheme became effective on 1 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue of the Company immediately following the completion of the Company's initial public offering, i.e. 258,000,000 shares. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the Company's issued shares from time to time. The maximum number of shares issuable under the 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 as at the date of grant. Any further grant of options in excess of this 1% 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.

35. Share Option Scheme (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the Directors, but must be at least of the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

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

As at the date of approval of these financial statements, no options had been granted since the adoption of the Scheme.

36. 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.

(a) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(b) Merger reserve

The merger reserve represents the reserve arising pursuant to the reorganisation of the Group in 2013.

(c) Share-based payment reserve

On 27 November 2013, a total of 1,550 ordinary shares of US$1.00 each of the Company (before capitalisation issue and sub-division) were issued for cash of US$180,100,000 (equivalent to RMB1,101,977,000) to certain companies owned by certain employees of the Group. The shortfall in the amount of RMB81,000,000 between the estimated fair value of the shares at the date of issue and the consideration paid by the companies owned by certain employees of the Group for the shares was accounted for as share-based payment during the year ended 31 December 2013. The fair value of the shares was determined with reference to the business value of the Group determined by an external valuer using a market approach.

Notes to Financial Statements (continued)

31 December 2016

37. Partly-Owned Subsidiary with Material Non-controlling Interests

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

	2016
Percentage of equity interest held by non-controlling interests:	
Wuhan NSP	58%

	2016 RMB'000
Profit for the year allocated to non-controlling interests:	
Wuhan NSP	15,945
Accumulated balance of non-controlling interests at reporting date:	
Wuhan NSP	267,876

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

	2016 RMB'000
Revenue	389,643
Total expenses	(357,478)
Profit for the year	32,165
Total comprehensive income for the year	32,165
Current assets	3,316,747
Non-current assets	12,560
Current liabilities	(2,189,642)
Non-current liabilities	(696,263)
Net cash flows from operating activities	714,463
Net cash flows from investing activities	79,544
Net cash flows used in financing activities	(778,091)
Net increase in cash and cash equivalents	15,916

38. Business Combinations

In June 2016, a joint venture partner of Wuhan NSP, in which the Group held a 42% equity interest, confirmed that it will follow the Group on any decision regarding operational and financial activities of Wuhan NSP. As such, management considers that the Group is in a position to exercise control over the relevant activities of Wuhan NSP and therefore, Wuhan NSP was thereafter accounted for as a subsidiary of the Group. Wuhan NSP is principally engaged in property development in Wuhan, the PRC.

In December 2016, the Group acquired 49% equity interests in Dalian Ambo and Dalian Shitong from the joint venture partners. After the completion of the acquisitions, Dalian Ambo and Dalian Shitong became wholly-owned subsidiaries of the Group. Dalian Ambo and Dalian Shitong are engaged in property development in Dalian, the PRC. The acquisitions were made as part of the Group's strategy to expand the market share of property development in Dalian, the PRC. The purchase consideration for the acquisition of Dalian Ambo and Dalian Shitong was in the form of cash of RMB436,420,000. The consideration payable has not been paid by the Group as at 31 December 2016.

The fair values of the identifiable assets and liabilities of Wuhan NSP, Dalian Ambo and Dalian Shitong as at the date of obtaining control/acquisition were as follows:

	Fair value recognised on acquisition		
	Wuhan NSP	**Dalian Ambo and Dalian Shitong**	**Total**
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	3,068	578	3,646
Intangible assets	55	—	55
Properties under development	2,204,900	—	2,204,900
Completed properties held for sale	—	2,253,000	2,253,000
Land held for development for sale	549,918	—	549,918
Trade receivables	5,232	—	5,232
Prepayments, deposits and other receivables	27,991	549,820	577,811
Prepaid corporate income tax	2,585	689	3,274
Prepaid land appreciation tax	4,796	53,232	58,028
Cash and cash equivalents	996,206	47,756	1,043,962
Trade payables	(225,101)	(182,854)	(407,955)
Other payables and accruals	(719,172)	(7,678)	(726,850)
Receipts in advance	(537,474)	(1,128,539)	(1,666,013)
Deferred tax liabilities	(43,588)	(146,129)	(189,717)
Interest-bearing bank borrowings	(1,765,554)	—	(1,765,554)
Total identifiable net assets at fair value	503,862	1,439,875	1,943,737

Notes to Financial Statements (continued)

31 December 2016

38. Business Combinations (continued)

	Fair value recognised on acquisition		
	Wuhan NSP	Dalian Ambo and Dalian Shitong	Total
	RMB'000	RMB'000	RMB'000
Total identifiable net assets at fair value	503,862	1,439,875	1,943,737
Gains on bargain purchases	—	(330,140)	(330,140)
Gains on remeasurement of pre-existing interests in joint ventures	(46,420)	(206,553)	(252,973)
Non-controlling interests	(251,931)	—	(251,931)
	205,511	903,182	1,108,693
Satisfied by:			
Reclassification from pre-existing interest in joint ventures to investment in subsidiaries	205,511	527,783	733,294
Consideration payable included in other payables	—	436,420	436,420
Carrying amount of put options exercised	—	(146,436)	(146,436)
Waiver of a shareholder's loan	—	85,415	85,415
	205,511	903,182	1,108,693

The gain on remeasurement of a pre-existing interest in the joint venture to the date of obtaining control fair value of RMB46,420,000 upon obtaining control of Wuhan NSP is included in "other income and gains" in the consolidated statement of profit or loss.

The gain on remeasurement of pre-existing interests in the joint ventures to the date of acquisition amounting to RMB206,553,000 upon the acquisitions of Dalian Ambo and Dalian Shitong is included in "other income and gains" in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of obtaining control of Wuhan NSP and acquisitions of Dalian Ambo and Dalian Shitong is as follows:

	Wuhan NSP	Dalian Ambo and Dalian Shitong	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents obtained control and acquired and net inflow of cash and cash equivalents included in cash flows from investing activities	996,206	47,756	1,043,962

38. Business Combinations (continued)

Since obtaining control of Wuhan NSP and the acquisition of Dalian Ambo and Dalian Shitong. Wuhan NSP, Dalian Ambo and Dalian Shitong contributed revenue of RMB389,643,000 and RMB1,053,745,000 to the Group's revenue and profit of RMB32,165,000 and RMB148,435,000 to the consolidated profit for the year ended 31 December 2016, respectively.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB7,021,454,000 and RMB586,155,000, respectively.

39. Financial Guarantees

The Group had the following financial guarantees as at the end of the reporting period:

(a) As at 31 December 2016, the maximum obligation in respect of the mortgage facilities provided to certain purchases of the Group's properties amounted to RMB516,050,000 (2015: RMB329,287,000).

At the end of the reporting period, the Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as security on the mortgage loans. Upon default on mortgage payments by these purchasers, the banks are entitled to take over the legal titles and can realise the pledged properties through open auction. The Group is obliged to repay the banks for the shortfall if the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans, and ends upon the earlier of (i) the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers.

(b) As at 31 December 2016, the Group provided a guarantee for an amount not exceeding RMB24,000,000 (2015: RMB37,776,000) in respect of the payment obligations of a subsidiary of Richcoast Group to a joint venture (formed between Richcoast Group and an independent third party) and the joint venture partner.

(c) The Group provided guarantees to the extent of RMB569,222,000 (2015: RMB356,200,000) as at 31 December 2016 in respect of the bank and other loans granted to the associates.

(d) The Group provided guarantees to the extent of RMB468,502,000 (2015: RMB1,478,000,000) as at 31 December 2016 in respect of bank loans granted to the joint ventures.

Notes to Financial Statements (continued)

31 December 2016

39. Financial Guarantees (continued)

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the financial statements.

40. Pledge of Assets

Details of the Group's bank and other loans which are secured by the assets of the Group, are included in note 30 to the financial statements.

41. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to fifthteen years. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions. Certain contingent rent receivables are determined based on the turnover of the lessees.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**266,422**	298,039
In the second to fifth years, inclusive	**499,407**	596,418
After five years	**43,720**	100,061
	809,549	994,518

41. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of the office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**13,469**	14,474
In the second to fifth years, inclusive	**4,523**	23,139
After five years	**—**	21,619
	17,992	59,232

42. Commitments

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Capital expenditure for investment properties under construction and properties under development in Mainland China	**4,470,935**	3,436,811
Capital contribution to an associate	**234,300**	—
	4,705,235	3,436,811

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Capital expenditure for investment properties under construction and properties under development in Mainland China	**124,655**	409,473

Notes to Financial Statements (continued)

31 December 2016

43. Major Non-cash Transactions

(a) In June 2016, a joint venture partner of Wuhan NSP, in which the Group held a 42% equity interest, confirmed that it will follow the Group on any decision regarding operational and financial activities of Wuhan NSP. As such, management considers that the Group is in a position to exercise control over the relevant activities of Wuhan NSP and therefore, Wuhan NSP was thereafter accounted for as a subsidiary of the Group. Further details are set out in note 38 to the financial statements.

(b) During the year ended 31 December 2015, a subsidiary of the Company entered into a tripartite arrangement with two local government authorities, pursuant to which an amount receivable of RMB1,200 million due from a government authority to the Company's subsidiary was offset against a payable of RMB1,200 million due by the subsidiary to the other government authority. Under the tripartite arrangement, the subsidiary has no further rights and interests in the amount receivable of RMB1,200 million and the obligations in the amount payable of RMB1,200 million.

44. Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during year:

	Notes	2016 RMB'000	2015 RMB'000
Service fees from joint ventures	(i)	**181,975**	297,658
Service fees to a joint venture	(i)	**36,354**	93,005
Service fees from associates	(i)	**129,326**	104,961
Consulting fees to non-controlling shareholders	(iii)	**20,000**	—
Service fees from companies controlled by Right Won	(i)	**4,139**	42,403
Rental income from joint ventures	(ii)	**5,684**	10,109
Rental income from companies controlled by Right Won	(ii)	**3,010**	2,798
Rental expense to a company controlled by Right Won	(ii)	**1,333**	1,400
Consulting fees from joint ventures	(iii)	**4,717**	20,700
Interest income from a joint venture	(iv)	**2,290**	2,432
Interest expenses to joint ventures	(iv)	**1,040**	5,522
Interest income from associates	(iv)	**32,920**	27,987

44. Related Party Transactions (continued)

(a) (continued)

Notes:

(i) The service fees were related to the construction services, landscaping services and property management services provided by the Group and related to decoration provided to the Group by a joint venture at rates determined in accordance with the terms and conditions set out in the contracts entered into between the related parties.

(ii) The rentals were determined at rates mutually agreed by the related parties.

(iii) The consulting fees were charged for the project design, implementation and management services provided to/by the Group at rates determined in accordance with the terms and conditions set out in the contracts entered into between the related parties.

(iv) The interest income was related to advances made by the Group to a joint venture and associates. The interest expense was related to loans from joint ventures to the Group. The interest rates were mutually agreed with the related parties.

In the opinion of the Directors, the above transactions were entered into in the ordinary course of business of the Group.

(b) Compensation of key management personnel of the Group

In the opinion of the Directors, the Directors represent the key management personnel of the Group and details of the compensation are set out in note 8 to the financial statements.

45. Financial Instruments by Category

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

At 31 December 2016

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Loans to associates (note 18)	27,135	—	27,135
Available-for-sale investments (note 19)	—	24,540	24,540
Trade receivables (note 24)	814,411	—	814,411
Deposits and other receivables (note 25)	2,883,995	—	2,883,995
Restricted cash (note 26)	1,047,113	—	1,047,113
Cash and cash equivalents (note 26)	1,856,039	—	1,856,039
	6,628,693	24,540	6,653,233

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Derivative financial instruments (note 33)	491,403	—	491,403
Trade payables (note 28)	—	2,633,113	2,633,113
Other payables and accruals (note 29)	—	1,271,458	1,271,458
Interest-bearing bank and other borrowings (note 30)	—	15,010,775	15,010,775
	491,403	18,915,346	19,406,749

45. Financial Instruments by Category (continued)

At 31 December 2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Loans to associates (note 18)	101,088	—	101,088
Available-for-sale investments (note 19)	—	24,540	24,540
Trade receivables (note 24)	597,033	—	597,033
Deposits and other receivables (note 25)	3,644,163	—	3,644,163
Restricted cash (note 26)	2,252,154	—	2,252,154
Cash and cash equivalents (note 26)	1,058,565	—	1,058,565
	7,653,003	24,540	7,677,543

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Derivative financial instruments (note 33)	399,521	—	399,521
Trade payables (note 28)	—	2,163,636	2,163,636
Other payables and accruals (note 29)	—	768,384	768,384
Interest-bearing bank and other borrowings (note 30)	—	16,231,036	16,231,036
	399,521	19,163,056	19,562,577

Notes to Financial Statements (continued)

31 December 2016

46. 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:

At 31 December 2016

	Carrying amounts RMB'000	Fair values RMB'000
Financial assets		
Loans to associates (note 18)	**27,135**	**27,135**
Financial liabilities		
Derivative financial instruments (note 33)	**491,403**	**491,403**
Interest-bearing bank and other borrowings (note 30)	**15,010,775**	**15,010,775**
	15,502,178	**15,502,178**

At 31 December 2015

	Carrying amounts RMB'000	Fair values RMB'000
Financial assets		
Loans to associates (note 18)	101,088	101,088
Financial liabilities		
Derivative financial instruments (note 33)	399,521	399,521
Interest-bearing bank and other borrowings (note 30)	16,231,036	16,231,036
	16,630,557	16,630,557

46. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy as at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets measured at fair value:				
Investment properties (note 14)	—	—	11,234,767	11,234,767
Assets measured at amortised cost:				
Loans to associates (note 18)	—	—	27,135	27,135
Liabilities measured at fair value:				
Derivative financial instruments (note 33)	—	—	491,403	491,403
Liabilities measured at amortised cost:				
Interest-bearing bank and other borrowings (note 30)	—	—	15,010,775	15,010,775

Fair value hierarchy as at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets measured at fair value:				
Investment properties (note 14)	—	—	10,926,523	10,926,523
Assets measured at amortised cost:				
Loans to associates (note 18)	—	—	101,088	101,088
Liabilities measured at fair value:				
Derivative financial instruments (note 33)	—	—	399,521	399,521
Liabilities measured at amortised cost:				
Interest-bearing bank and other borrowings (note 30)	—	—	16,231,036	16,231,036

46. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

The fair values of the non-current portion of loans to associates, other receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group assessed the credit risks as at the end of the reporting period of loans to associates and other receivables to be insignificant. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the reporting period was assessed to be insignificant.

The details of the valuation technique and inputs used in the fair value measurement of investment properties and derivative financial instruments have been disclosed in note 14 and note 33 to the financial statements, respectively.

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 (2015: Nil).

The Group's finance department determines the policies and procedures for recurring fair value measurement, such as investment properties and derivative financial instruments. The finance department comprises the head of the investment properties segment, head of the Group's investment team, chief financial officer and the managers of each property.

External valuers are involved for the valuation of significant assets, such as investment properties and significant liabilities, such as derivative financial liabilities. Involvement of external valuers is decided upon annually by the finance department. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance department decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance department, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The finance department and the Group's external valuers present the valuation results to the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

47. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's assets are predominantly in the form of land held for development for sale, investment properties, properties under development and completed properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

The sensitivity analyses of fair value measurement of investment properties and derivative financial instruments are disclosed in note 14 and note 33 to the financial statements, respectively.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in Mainland China at the same savings rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Since the Group has mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Notes to Financial Statements (continued)

31 December 2016

47. Financial Risk Management Objectives and Policies (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Effect on profit before tax RMB'000
31 December 2016		
RMB	**50**	**(22,427)**
RMB	**(50)**	**22,427**
31 December 2015		
RMB	50	(29,867)
RMB	(50)	29,867

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under the existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of Mainland China to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

47. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration of Foreign Exchange, this could affect the Group's subsidiaries' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Company.

The Group's financial assets and liabilities including certain short term deposits denominated in Hong Kong dollars are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

As at 31 December 2016, if RMB had weakened/strengthened by 3% against the United States dollar, which was considered reasonably possible by management, the Group's profit before tax for the year would have been increased/decreased by RMB14,259,000 (2015: RMB10,142,000) and there would be no material impact on other components of the Group's equity.

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. There is no significant concentration of credit risk within the Group.

On top of the credit risk arising from the financial guarantees provided by the Group as detailed in note 39, the credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Notes to Financial Statements (continued)

31 December 2016

47. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities are available for contingency purposes.

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:

	At 31 December 2016				
	On demand or within 1 year RMB'000	In the second year RMB'000	3 to 5 years RMB'000	Beyond 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (note 30)	4,388,036	3,955,254	6,292,925	1,427,579	16,063,794
Trade payables (note 28)	1,922,538	710,575	—	—	2,633,113
Other payables and accruals (note 29)	1,271,458	—	—	—	1,271,458
Derivative financial instruments (note 33)	506,391	—	—	—	506,391
	8,088,423	4,665,829	6,292,925	1,427,579	20,474,756
Financial guarantees issued: Maximum amount guaranteed (note 39)	1,577,774	—	—	—	1,577,774

Notes to Financial Statements (continued)

31 December 2016

47. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

	At 31 December 2015				
	On demand or within 1 year RMB'000	In the second year RMB'000	3 to 5 years RMB'000	Beyond 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (note 30)	8,840,691	3,596,264	4,294,089	692,809	17,423,853
Trade payables (note 28)	1,511,580	652,056	—	—	2,163,636
Other payables and accruals (note 29)	768,384	—	—	—	768,384
Derivative financial instruments (note 33)	408,745	—	—	—	408,745
	11,529,400	4,248,320	4,294,089	692,809	20,764,618
Financial guarantees issued: Maximum amount guaranteed (note 39)	2,201,263	—	—	—	2,201,263

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 provide returns for shareholders and benefits for other stakeholders.

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 is subject to financial covenants attached to the interest-bearing bank and other borrowings that define capital structure requirements. The financial institutions have the right to call the bank and other borrowings immediately for breach of the relevant financial covenants. There have been no breaches in the financial covenants during the year. No changes were made in the objectives, policies or processes for managing capital during the year.

Notes to Financial Statements (continued)

31 December 2016

47. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The Group monitors capital using a net debt ratio, which is net debt divided by the capital. Net debt includes interest-bearing bank and other borrowings, less cash and cash equivalents and restricted cash. Capital represents total equity. The net debt ratios as at the end of the reporting periods were as follows:

	2016	2015
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**15,010,775**	16,231,036
Less: Cash and cash equivalents	**(1,856,039)**	(1,058,565)
Less: Restricted cash	**(1,047,113)**	(2,252,154)
Net debt	**12,107,623**	12,920,317
Total equity	**10,146,529**	9,408,486
Net debt ratio	**119%**	137%

Notes to Financial Statements (continued)

31 December 2016

48. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	—*	—*
CURRENT ASSETS		
Other receivables	101,510	101,246
Due from subsidiaries	2,560,599	1,340,377
Restricted cash	—	1,141,600
Cash and cash equivalents	3,181	57,371
Total current assets	2,665,290	2,640,594
CURRENT LIABILITIES		
Other payables and accurals	108,095	5,281
Due to subsidiaries	268,309	225,784
Interest-bearing bank loan	513,338	509,488
Total current liabilities	889,742	740,553
NET CURRENT ASSETS	1,775,548	1,900,041
Net assets	1,775,548	1,900,041
EQUITY		
Issued capital	159,418	159,418
Reserves (note)	1,616,130	1,740,623
Total equity	1,775,548	1,900,041

* Less than RMB1,000

Notes to Financial Statements (continued)

31 December 2016

48. Statement of Financial Position of the Company (continued)

Note:

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

	Share premium account RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
As at 1 January 2015	2,051,734	81,000	(81,074)	2,051,660
Final 2014 dividend	(341,084)	—	—	(341,084)
Profit for the year and total comprehensive income for the year	—	—	30,047	30,047
As at 31 December 2015 and 1 January 2016	1,710,650	81,000	(51,027)	1,740,623
Final 2015 dividend	(132,511)	—	—	(132,511)
Profit for the year and total comprehensive income for the year	—	—	8,018	8,018
As at 31 December 2016	1,578,139	81,000	(43,009)	1,616,130

49. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

商務園區運營專家
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