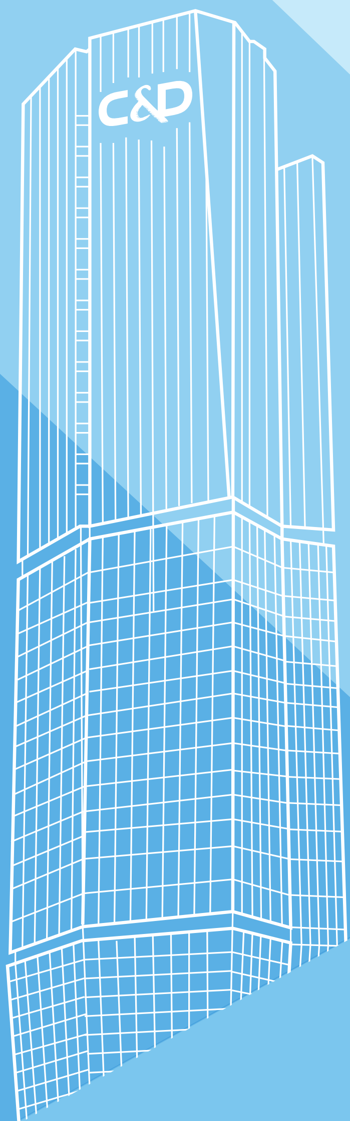
建發國際投資集團有限公司

C&D International Investment Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1908



2016

ANNUAL REPORT

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHUANG Yuekai *(Chairman)*
Mr. SHI Zhen
Ms. ZHAO Chengmin

Non-executive Directors

Ms. WANG Xianrong
Ms. WU Xiaomin
Mr. HUANG Wenzhou

Independent Non-executive Directors

Mr. WONG Chi Wai
Mr. WONG Tat Yan, Paul
Mr. CHAN Chun Yee

COMPANY SECRETARY

Ms. SOON Yuk Tai

AUDIT COMMITTEE

Mr. WONG Chi Wai *(Committee Chairman)*
Mr. WONG Tat Yan, Paul
Mr. CHAN Chun Yee

REMUNERATION COMMITTEE

Mr. WONG Tat Yan, Paul *(Committee Chairman)*
Mr. ZHUANG Yuekai
Mr. WONG Chi Wai
Mr. CHAN Chun Yee

NOMINATION COMMITTEE

Mr. ZHUANG Yuekai *(Committee Chairman)*
Mr. CHAN Chun Yee
Mr. WONG Chi Wai
Mr. WONG Tat Yan, Paul

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

Bank of China

REGISTERED OFFICE

P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

STOCK CODE

1908

COMPANY'S WEBSITE

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of C&D International Investment Group Limited ("C&D International Group" or the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2016 (the "Year").

I. ECONOMIC ENVIRONMENT CHANGES AND ANALYSIS

In 2016, the global economy continued to witness extensive adjustment, geopolitical risks have further exacerbated, the process of globalization was facing severe challenges, the global economy went forward in the difficult situation and the flows of global capital have intensified. On review of 2016, in the context of the complex economic situation in China and the rest of world and under the influence of active fiscal policy, prudential monetary policy and real estate policy, China's economy has steadily stabilized in its bottom and started to recover. China's real estate industry has experienced a rapid change of "rising prior to declining" throughout the Year. In the first nine months of the Year, it presented thriving market featured by "rising in both sales volume and price" and "booming in both supply and demand side". After October, the policy of "purchase and loan limits" was continuously imposed and the market demand differentiated. However, as guiding by the government policy of "adopting different policies in different cities ", the real estate market is moving towards a direction of "sustainable and healthy development".

In the context of downturn in the macroeconomy, the Chinese economy has being entered into a state of "New Normality", slowdown in economic growth and changes in economic structure and growth driver, the Company accurately grasped the market trend, continuously enhanced its management capacity and strengthened its brand influence, the Company has gradually developed into an integrated city operator comprising of "property development, real estate industry chain services and investment in emerging industries" from a single property development and leasing operator, which makes its business development prospects clearer and full of vitality, the Company also started to enter a new track of development.

II. RESULTS AND DIVIDENDS

During the Year, the Company realized revenue of RMB104.1 million, and the profit for the year attributable to the equity holders of the Company was RMB14.64 million.

The board of directors (the "Board") has proposed to declare a final dividend of HK$10 cents per share in respect of the Year, subject to the approval of the forthcoming annual general meeting of the Company (the "AGM").

III. BUSINESS REVIEW

Summary

2016 was the second year of the acquisition of the Company by C&D Real Estate Corporation Limited* (建發房地產集團有限公司) ("C&D Real Estate") and also a key year for the Company's rapid development and business transformation. The Company has taken full advantage of resource integration, adopted tailored and precise measures to suit local conditions in order to determine its business position of "integrated investment service providers of real estate development and real estate industry chain". It continuously accelerated the pace of business development, expanded the regions and industry sectors covered by its business through equity mergers and acquisitions and cooperation with well-known enterprises, and gradually established a "one body with two wings" (一體兩翼) diversified industrial layout. The Company's total assets have expanded from approximately RMB1.28 billion in 2015 to approximately RMB2.78 billion, representing an increase of 117% year-on-year.

In addition, C&D Real Estate also constantly expanded the scale of business of the Company, enhanced the cash flow of the Company and optimized the equity structure of the company through provision of financial assistance by the parent, introduction of Fullshare Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 00607), a well-known enterprise and issuance of permanent convertible bond, laying a good foundation for the Company's sustainable and quality growth in the future. In addition, the Company was granted the "Best Investment Value Award in terms of Financing for Listed Companies in China*" (中國融資最具投資價值上市公司獎) in January 2017, demonstrating that the capital market was optimistic about the Company's potential.

One body: Further Optimizing and Strengthening the Real Estate Development Business

In 2016, under the support of C&D Real Estate, a controlling shareholder of the Company, the Company has persistently stepped up the real estate business development, and expanded the regions covered by its business. The Company acquired 13% equity interests of Suzhou Zhaoxiang, the project company of Suzhou. Dushuwan (蘇州 • 獨墅灣) by way of capital increase. Meanwhile, the Company will obtained the land development rights in South Wales, entering into the overseas real estate market. The Company's real estate development business will be further optimized and strengthened. The Company's size and efficiency will also be increased rapidly. During 2016, the Company acquired two additional parcels of land through equity acquisition, representing an increase of 344,600 sq.m. in land reserve, of which the attributable equity portion was approximately 48,400 sq.m.

No.	Area	Project	Use	Total GFA ('000 sq.m.)	Attributable area ('000 sq.m.)	Proportion of interest	Expected time of completion
1	Suzhou	Dushuwan	Commercial and residential	336.9	43.8	13%	Phase I 2017, Phase II 2018, Phase III 2020
2	Australia	Undecided	Commercial and residential	7.7	4.6	60%	2018
		Total:		**344.6**	**48.4**		

Two wings: Actively develop real estate industry chain services and increase investment in emerging industries

1. Real estate industry chain services: Centered on real estate industry chain, the Company stepped up the establishment of its business presence, and actively fostered and participated in related business projects. Currently, it has completed its strategic layout in the sectors such as commercial asset management, project operation and management (entrusted construction), Internet finance, high-end home furnishing, informatization service and smart community;

    (1) Commercial asset management: The Company has 22,871 sq.m. of commercial rental properties in Nanning. Under the situation of traditional commercial properties being severely impacted by e-commerce, the Nanning commercial leasing team of the Company broke through the dilemma and optimized the trade mix through business reposition. The overall occupancy rate increased through actively introducing talents and increasing the publicity and improving the introduction of merchants. Specifically, the occupancy rate of Yufeng International Cabinet Center* (裕豐國際廚櫃中心) project increased from 74% at the beginning of the year to 100% and realized profits. As a result, the core net profit level of commercial operations increased significantly as compared to that before acquisition. Shanghai Zhaoyu Asset Management Co. Ltd* (上海兆昱資產管理有限公司) accurately meets the demand of the market and constantly enhancing the value of related properties and brands managed by the Company through the improvement and operation of assets. At present, the Company leased more than 12,000 sq.m. of commercial space and 60,000 q.m. of office space in Shanghai.

(2) Project operation and management (entrusted construction): Xiamen Zhaocheng Engineering Construction and Management Limited ("Xiamen Zhaocheng") is committed to undertaking the business of main contractor for construction, such as large-scale public construction and urban ancillary facilities, and project management business. In 2016, Xiamen Zhaocheng contracted 8 new entrusted construction projects with entrusted construction areas of approximately 753,000 sq.m. and entrusted construction contract value of approximately RMB33.14 million.

(3) Internet finance: It established an associate, Guangzhou Jian Xin Small Loan Company Limited* (廣州建信小額貸款有限公司), which is committed to expanding huge consumer finance and industrial finance business in China through development of real estate industry chain financial services.

(4) High-end home furnishing: The Company contributed capital to establish Xiamen Jianfa Furniture Company Limited* (廈門建發家居有限公司), which is engaged in sales and operation of lobular red sandalwood home furnishing, artwork and collection.

(5) Youkeclub* (優客會):The Company contributed capital to establish Xiamen Jianfa Youkeihui Internet Technology Co., Ltd.* (廈門建發優客會網絡科技有限公司), which is dedicated to the internal marketing resource consolidation of Xiamen C&D Corporation Limited* (廈門建發集團有限公司), and established a Wechat marketing platform of Jianfa Shopping Mall to build a household paper brand of "Qushe" (取捨) and provides marketing channels to hotel accommodation, food and beverage as well as consumables such as red wine of Xiamen C&D Corporation Limited.

(6) informatization service and smart community: Xiamen Zhaohui internet Technology Co., Ltd.* (廈門兆慧網絡科技有限公司) was established, which is dedicated to information consultation and system construction in respect of the real estate industry to advance the smart construction for social and household service.

2. Investment in emerging industries: The Company actively participated in projects with promising prospects and more reliable investment incomes such as big health and established an image of an investment group through financial investment and strived to form the Company's new drivers for business growth. (1) the Company formed a joint venture, Xiamen Wan Jia Health Assets Investment Management Company Limited* (廈門萬家健康產業投資有限公司), with Shenzhen Pingan Wan Jia Health Assets Investment Management Company Limited* (深圳平安萬家健康產業投資有限公司) to build the first nationwide basic medical platform, Wan Jia Clinics* (萬家診所) in the form of self-construction, certification and franchisee in Fujian and even the whole People's Republic of China (the "PRC"), and the investment cost will be paid subsequent to the year ended 31 December 2016. (2) by subscribing for 50% shares of J-Bridge Investment Co., Ltd, the Company became a partner of C-Bridge Healthcare Fund, L.P. (the "Fund"). The Fund has principally made investment in medical health industry for years.

IV. FUTURE DEVELOPMENT PROSPECT

In the new year, the Company will continue to maintain its business positioning as "an integrated investment service provider in real estate development and the real estate industry chain" to further improve the industry chain service business of real estate while performing well in its principal business of real estate, and will strive to identify strategic investment opportunities and financial investment opportunities in emerging industries for real estate development.

(I) Real Estate Development

(1) For regional strategic layout, the Company will strengthen the regional research and strategically enter the cities with growth potential. On the one hand, the Company will continue to put efforts in the regions it has presence, pay attention to the parent's original planning key cities, increase its market share and form regional economies of scale. On the other hand, the Company will conduct analyses on new regions and cities, selectively expand into the cities with positively growing inflow population, controllable land supply and development potential, and further optimize its land bank structure.

(2) For land acquisition strategy, the Company will adopt diversified cooperation modes, pay close attention to the market of stock land including the land the parent holds, based on the characteristics of the project and the demand from the partner, flexibly innovate cooperation modes by interest and risk sharing to lower the operation risks.

(3) For product strategy, the Company will improve the meticulous operation and management while improving product standardization, strengthen the research of innovative products, improve such core competencies as cost control and after-sales service to enhance the core competitiveness of products and brand value, and effectively expand the project's profit margins.

(II) Real Estate Industry Chain

(1) The Company will steadily enhance the occupation rate and the rental income of the commercial leasing assets in Nanning and energetically seek breakthrough in traditional commercial property, meanwhile by leveraging management advantages of "operation entrustment and investment operation" of Shanghai Zhaoyu, the Company will respond to the market demand from innovation and entrepreneurship as well as Internet plus for Maker Park and creative space to enhance industry reputation and achieve two-wheel driving of commercial operation and capital operation.

(2) By making use of the opportunity of "BRICK Conference" (金磚會晤) in Xiamen, the Company will expand its scale and radial coverage area of engineering entrusted construction business and upgrade entrusted construction commercial modes from single engineering entrusted construction business to "operation for entrusted construction and financing for entrusted construction".

(3) The Company will actively build an "industry+finance+internet" platform by relying on the abundant customer resource of the parent, rapidly form an ecosphere centering on real estate, internet and finance by the connection between online and offline platforms to build a financial service platform with diversified businesses.

(III) Investment in emerging industries. The Company will try to explore the law of development in emerging industries by directly or indirectly contributing capital in the emerging industries companies, identify the opportunity to enter the emerging industries which are suitable for C&D International Group, actively contribute capital in emerging industries projects such as big health, high-end education with broad prospects and reliable investment gains to energetically create new growth points for C&D International.

In addition, the Company will continue to strengthen its brand promotion, further optimize its shareholding structure with an aim "to introduce capital, mechanism, resource and intelligence", and actively introduce like-minded and strong investors in business collaboration to become the Company's shareholders.

In summary, the Company will leverage the abundant resources and mature branding strength of its parent, perform well in its real estate business, and improve real estate industry chains and emerging industries businesses to make dual breakthrough in its asset scale and profitability.

APPRECIATION

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

C&D International Investment Group Limited
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 24 March 2017

* For identification purpose only

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development, commercial operation and management, property management and the provision of construction services etc. The Group has extensive of experience in developing and leasing properties and in managing properties in numerous locations in the PRC.

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

The Group recorded a profit attributable to the equity holders of the Company for the Year of approximately RMB14.6 million (2015: RMB12.7 million). This represented an increase in the profit by approximately 15.75% as compared to that of the year of 2015.

Property Development Business

For the Year, sales revenue amounted to approximately RMB11.16 million and the area of contract sales was approximately 2,196.42 sq.m..

Properties under sales close to selling out

Li Yuan, a lohas residential project with a total saleable gross floor area (the "GFA") of over 46,000 sq.m. in New & Hi-Tech Industrial Development Zone, Nanning, was sold and pre-sold for over 81% in total as at 31 December 2016. For the Year, approximately 1,308.02 sq.m. of commercial shops and car parking spaces with revenue of approximately RMB5.38 million were sold and delivered to the purchasers.

Fond • England, a green residential project with a total GFA of over 150,000 sq.m. in Nanning, was sold and pre-sold for over 99% in total as at 31 December 2016. For the Year, approximately 888.4 sq.m. of car parking spaces with revenue of approximately RMB5.78 million were sold and delivered to the purchasers.

Property under construction

長沙 • 中央悅府 (Changsha • Zhongyang Yuefu, formerly known as 書香佳緣 Shuxiangjiayuan*)*

A residential project with a total GFA of approximately 100,260 sq.m. in Yuhua District, Changsha City, the pre-sale of which commenced in December 2016. For the Year, advances received was approximately RMB71.19 million.

泉州 • 中泱天成 (Quanzhou • Zhongyang Tiancheng)*

A residential project with a total GFA of approximately 62,087 sq.m. in Wanfu Community, Wanan Street, Luojiang District, Quanzhou City.

漳州 • 碧湖雙璽 (Zhangzhou • Bihushuangxi)*

A residential project with a total GFA of approximately 152,415 sq.m. in West of Hubin Road and North of Hubin Road, Longwen District, Zhangzhou, consisted of Phase I, the pre-sale of which has commenced in November 2016, and Phase II. For the Year, advances received were approximately RMB71.4 million. Construction of Phase II has commenced in March 2017. The Company has interests in 40% of the project.

蘇州 • 獨墅灣 (Suzhou • Dushuwan)*

A residential project with a total GFA over 440,000 sq.m. (including areas not counted in the plot ratio) in Dushuwan lake district and in the vicinity of an ecosphere in Wuzhong District, Suzhou City, Jiangsu Province. The project will be developed in three phases altogether; (i) construction of Phase I commenced in February 2016 and is expected to be completed in December 2017; (ii) construction of Phase II construction commenced in October 2016 and is expected to be completed in August 2018; (iii) construction of last Phase is expected to be commenced in 2018 and completed in June 2020. Pre-sale of Phase I has commenced in August 2016. For the Year, advances received were approximately RMB842.5 million. The Company has interests in 13% of the project.

Properties to be constructed

漳州 • 發現之旅 (Zhangzhou • Green Pavillion)*

A residential project of low-rise and high-rise buildings with a total GFA of approximately 358,000 sq.m. in Changtai County, Zhangzhou City, neighboring Xiamen City.

Real estate industry chain services

1. Commercial assets management

(1) The leasing fee income from the Group's property leasing business was approximately RMB74.23 million (including income from premises occupation) for the Year (2015: RMB44.69 million).

The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of 31 December 2016, the Group's retail units (which were held for the purpose of leasing to independent third parties) comprised an aggregate rentable GFA of approximately 22,871 sq.m. in the PRC, of which an aggregate GFA of approximately 18,187 sq.m. in the PRC were leased out and an underground car park area of approximately 3,954 sq.m. is used as a temporary car park area.

The Group's third party leasing property, under a new lease with Shanghai Zhaoyu Asset Management Limited Company during the Year, was located in Yangpu District and Jiading District, Shanghai. As of 31 December 2016, the leasing property retail unit comprised an aggregate rentable GFA of approximately 74,103 sq.m. in the PRC, of which an aggregate GFA of approximately 56,739 sq.m. in the PRC were leased out.

(2) The income from the Group's property management was approximately RMB5.16 million for the Year (2015: RMB4.96 million).

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by independent third party property owners or users. The Group's property management services include setting property management programme, providing security, maintaining the properties, landscaping, developing environmental protection policies, event planning and entrusted construction services.

As of 31 December 2016, the Group derived its property management income mainly from leasing and management of commercial properties in Nanning.

2. Projects operation and management (entrusted construction)

During the Year, the income of the Group's entrusted construction was derived from the entrusted construction agreement for the management and entrusted construction services of Xiamen Zhaocheng Engineering Construction and Management Limited, an indirect wholly-owned subsidiary of the Group, the income of entrusted construction was approximately RMB5.83 million.

3. Informatisation services and smart community

During the Year, the smart construction services income of approximately RMB7.73 million derived from the smart construction services provided by Xiamen Zhaohui Internet Technology Co., Ltd.* (廈門兆慧網絡科技有限公司), an indirectly wholly-owned subsidiary of the Group.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue was derived from (i) sales of properties; (ii) commercial assets management; (iii) projects operation and management (entrusted construction); and (iv) smart construction services.

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

	2016		2015	
	RMB'000	**%**	RMB'000	%
Sales of properties	**11,161**	**10.7**	84,124	62.9
Commercial assets management income	**79,391**	**76.3**	49,643	37.1
Entrusted construction services income	**5,825**	**5.6**	—	—
Smart construction services income	**7,726**	**7.4**	—	—
	104,103	**100**	133,767	100

Sales of properties decreased by about 86.7% from approximately RMB84.12 million in 2015 to approximately RMB11.16 million in 2016. Saleable GFA delivered for the financial years ended 31 December 2015 and 2016 were approximately 9,349 sq.m. and approximately 2,196.42 sq.m. respectively. The revenue derived from the sales of properties for the Year decreased due to the decrease in saleable GFA sold and delivered in the Year.

Cost of Sales

Cost of sales decreased by about 46.2% from approximately RMB70.3 million for the year ended 31 December 2015 to approximately RMB37.8 million for the Year. This result was primarily attributable to the decrease in saleable GFA of Li Yuan and Fond • England sold and delivered during the Year.

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately RMB63.50 million and approximately RMB66.31 million for the years ended 31 December 2015 and 2016 respectively, representing a gross profit margin of approximately 47.5% and 63.7% respectively. The overall increase in gross profit margin was mainly due to the the increase in percentage of property leasing business for the Year.

Other Income

Other income increased from approximately RMB24.33 million and RMB3.16 million for the years ended 31 December 2016 and 2015 respectively . The main reason for the increase was an increase in interest income in the Year and the reversal of executive Directors' fees for 2015 as the Directors have waived their rights of recovery.

Borrowing Costs

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

Captialised borrowing costs increased from approximately RMB2.4 million for the year ended 31 December 2015 to approximately RMB15.53 million for the Year. The increase was mainly due to the increase in borrowings from shareholders for the Year.

Gain on Changes in Fair Value of Investment Properties

The gain of changes in fair value of investment properties was RMB0.69 million for the Year and the gain for the previous financial year was RMB2.6 million. The gain reflected the adjustments in the property value in Nanning during the Year.

Administrative Expenses

Administrative expenses increased by about 1.5% to approximately RMB26.95 million for the Year from approximately RMB26.55 million for the year ended 31 December 2015. This was primarily due to the increase in number of employees.

Selling Expenses

Selling expenses increased by about 286.3% to approximately RMB18.35 million for the Year from approximately RMB4.75 million for the year ended 31 December 2015, primarily due to the increase in marketing related expenses of the newly incorporated Shanghai Zhaoxiang Commercial Business Management Company Limited* (上海兆祥商業經營管理有限公司).

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before income tax of approximately RMB27.48 million for the Year, representing a decrease of approximately 22.5% from approximately RMB35.47 million in the previous financial year.

Income Tax Expense

Income tax expense decreased from approximately RMB20.06 million in the previous financial year to approximately RMB11.14 million for the Year. The decrease in income tax was mainly due to a decrease in income from property sales during the Year.

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

The profit attributable to the equity holders of the Company increased by about 15.5% from approximately RMB12.67 million in the previous financial year to approximately RMB14.64 million for the Year.

Liquidity and Financial Resources

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

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2016, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB246.43 million (2015: RMB71.93 million) while total assets and net assets (after deducting non-controlling interests) were approximately RMB2,783.19 million (2015: RMB1,280.48 million) and RMB1,013.24 million (2015: RMB757.19 million) respectively. As at 31 December 2016, the Group's working capital amounted to approximately RMB669.41 million (2015: RMB419.1 million). As at 31 December 2016, the Group recorded net debt of approximately RMB816.7 million (2015: RMB47.3 million) with net debt to equity ratio of 72.1% (2015: 5.6%).

As at 31 December 2016, the Group had (i) a loan facility of approximately RMB3.24 million (2015: RMB3.75 millions) denominated in HK$ and bore a floating interest rate of 3.4% (2015: 3.5%) per annum, and (ii) loans from intermediate holding companies of approximately RMB1,059.89 million (2015: RMB115.51 million) denominated in RMB and at the PBOC rate per annum. The Group had no bank borrowings which was denominated in RMB (2015: nil). No particular trend of seasonality was observed for the Group's borrowing requirements for the Year.

The Group's gearing ratio (total borrowings divided by total equity) increased to 94% as at 31 December 2016 (2015: 14%) as the loans from intermediate holding companies increased in the Year.

Of the total borrowings, approximately RMB3.24 million was repayable within one year while approximately RMB1,059.9 million was repayable after one year but within three years.

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

Financial Guarantee Contracts

The Group had arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The balance as at 31 December 2016 was approximately RMB48.61 million (2015: RMB133.85 million). The decrease was mainly attributable to the decrease of the guarantees upon the real estate mortgage loan by purchasers of Li Yuan in the Year.

Capital Commitments

Capital commitments were those contracts concluded but not provided for leasehold improvements and the construction of properties under development. The capital commitment was approximately RMB169.03 million as at 31 December 2016 (2015: RMB172.27 million). The slight decrease was attributable to the completion of some construction projects and office renovation commenced in the Year.

Pledge of Assets

Certain borrowings were secured by property, plant and equipment.

Capital Structure

As at 31 December 2016, the Company's issued share capital was HK$42,800,000, divided into 428,000,000 ordinary shares (the "Shares") of HK$0.1 each (31 December 2015: HK$36,000,000 divided into 360,000,000 Shares).

Foreign Currency Exposure

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

As at 31 December 2016, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

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

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities (31 December 2015: nil).

Employees and Emolument Policy

As at 31 December 2016, the Group employed a total of 171 full-time employees (2015: 92 full-time employees). Total staff costs, including Directors' emoluments, of the Group were approximately RMB21.67 million (2015: RMB16.49 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme has been adopted to attract and retain eligible employees to contribute to the Group.

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

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement, there is no significant event after 31 December 2016.

OUTLOOK

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$10 cents per Share (i.e. HK$0.1 per Share) in respect of the Year (2015: nil), subject to the approval at the AGM. Based on the 428,000,000 Shares in issue as at 31 December 2016, it is expected that the final dividend payable will amount to HK$42,800,000 (equivalent to approximately RMB38,285,000). Subject to the approval of the shareholders of the Company at the AGM, the final dividend is expected to be paid to the eligible shareholders of the Company on 26 May 2017.

USE OF PROCEEDS

During the period from the date of the listing of shares on GEM ("GEM Listing") on 14 December 2012 (the "GEM Listing Date") to 31 December 2016, the net proceeds from the (i) GEM Listing; (ii) the placements of new shares under general mandate; and (iii) the issue of perpetual convertible bond had been applied as below (which application was in line with that stated in the prospectus of the Company dated 30 November 2012 (the "Prospectus"), the announcements of the Company dated 27 May 2015 and 4 December 2016):

1. *Fund raising from the GEM Listing*

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

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 31 December 2016 HK$ million	Actual use of proceeds from the GEM Listing Date to 31 December 2016 HK$ million
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	—
The pursuit of potential acquisition opportunities or investment in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business)	9.8	—
General working capital and other general corporate purposes of the Group	2.5	2.5
	25.5	2.5

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

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

The net proceeds from the placement of 60,000,000 new shares in the Company under general mandate as set out in the announcement dated 27 May 2015 and the circular dated 18 June 2015 were approximately HK$229.7 million, which was based on the placing price of HK$3.86 per Placing Share after deducting the actual expenses relating to the Placement of new shares.

	Net proceeds from the placement of new shares under general mandate in 2015 HK$ million	**Actual use of net proceeds from the placement of new shares under general mandate as at 31 December 2016 HK$ million**
As working capital of the Company to support for the Company's development projects	229.7	229.7

3. Fund raising from the issue of perpetual convertible bond

The net proceeds from the issue of perpetual convertible bond in an aggregate principal amount of HK$500,000,000 under specific mandate as set out in the announcement dated 4 December 2016 and the circular dated 25 January 2017 were approximately HK$499.4 million. The perpetual convertible bond is convertible into 108,695,652 conversion shares at the initial conversion price of HK$4.6 per conversion share.

	Net proceeds from the issue of perpetual convertible bond under specific mandate in 2016 HK$ million	**Actual use of net proceeds from the issue of perpetual convertible bond under specific mandate as at 31 December 2016 HK$ million**
The repayment of loans from the shareholders of the Company	499.4	—

4. *Fund raising from placing of new shares under general mandate*

The net proceeds from the placement of 68,000,000 new ordinary shares in the Company to independent third parties under general mandate as set out in the announcement dated 4 December 2016 were approximately HK$267.0 million, which was based on the placing price of HK$3.97 per placing share after deducting the actual expenses relating to the placement of new shares.

	Net proceeds from the placement of new shares under general mandate in 2016 HK$ million	Actual use of net proceeds from the placement of new shares under general mandate as at 31 December 2016 HK$ million
The repayment of loans from the shareholders of the Company	100.0	100.0
As general working capital of the Company	167.0	167.0

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHUANG Yuekai (庄躍凱) ("Mr. Zhuang")

Mr. Zhuang, aged 52, was appointed as the chairman of the Board and an executive Director of the Company on 10 February 2015. He was also appointed as a member and the chairman of the nomination committee of the Board (the "Nomination Committee"), and as a member of the remuneration committee of the Board (the "Remuneration Committee") with effect from 16 March 2015. He graduated from Fuzhou University with a bachelor's degree in engineering, majoring in industrial and civil construction. He is a senior engineer, a registered enterprise legal adviser and a certified real estate appraiser in the PRC and is entitled to special government allowances of the State Council of the PRC. Mr. Zhuang has engaged in the real estate industry for over 30 years, accumulating a wealth of management experience in the industry. He is responsible for the strategic planning of C&D International Group.

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

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

Mr. SHI Zhen (施震) ("Mr. Shi")

Mr. Shi, aged 52, was appointed as the chief executive officer and an executive Director of the Company on 10 February 2015 and resigned as the chief executive officer on 15 March 2016. Mr. Shi graduated from Fuzhou University with a bachelor's degree in engineering, majoring in industrial and civil construction. He is a senior engineer and a certified real estate appraiser in the PRC and has engaged in the real estate and construction industry for over 30 years, accumulating a wealth of management experience in the industry.

Mr. Shi has joined Xiamen C&D Corporation Limited since March 1995 and worked in C&D Real Estate Corporation Limited for many years. He currently serves as (among others) a director and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and a director and the general manager of C&D Real Estate Corporation Limited. Mr. Shi is also a director of Well Land International Limited and Well Honour International Limited. Mr. Shi also serves as a director of some subsidiaries of the Group.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. ZHAO Chengmin (趙呈閩) ("Ms. Zhao")

Ms. Zhao, aged 48, was appointed as an executive Director of the Company on 10 February 2015 and is one of the authorised representatives of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). She was appointed as deputy executive officer on 20 March 2015 and resigned as deputy executive officer on 15 March 2016. Ms. Zhao also serves as director of some subsidiaries of the Group and the legal representative of some PRC subsidiaries of the Group. She graduated from Xiamen University with a master's degree in business administration and is a senior accountant. Ms. Zhao has engaged in financial work for more than 27 years, accumulating a wealth of financial management experience.

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

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

NON EXECUTIVE DIRECTORS

Ms. WANG Xianrong (王憲榕) ("Ms. Wang")

Ms. Wang, aged 65, is a non-executive Director of the Company. Ms. Wang was appointed as an executive Director of the Company on 10 February 2015 and re-designated as a non-executive Director of the Company on 21 March 2015. She graduated in 1974 from the Faculty of Economics of Xiamen University, majoring in accounting and finance. She is a senior accountant.

Ms. Wang has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years Limited. Ms. Wang is a director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153), while she resigned on 24 May 2016. Ms. Wang was a director of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870), a director of C&D Real Estate Corporation Limited while she resigned on 17 February 2017, and the chairperson and director of Xiamen C&D Corporation Limited while she resigned on 21 June 2016. She was also a representative of the 11th National People's Congress.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. WU Xiaomin (吳小敏) ("Ms. Wu")

Ms. Wu, aged 62, has been appointed as a non-executive Director since 20 March 2015. Ms. Wu graduated from Shandong University in 1982 and majored in Japanese. She is a translator and senior economist.

Ms Wu has been chairwoman of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870) (while she resigned on 2 March 2017) and Xiamen C&D Corporation Limited. She has also been a delegate to the 12th People's Congress of Fujian Province and a delegate to the 14th People's Congress for Xiamen City. Ms. Wu has worked in Xiamen C&D Corporation Limited for many years and currently serves as (among others) party secretary of Xiamen C&D Corporation Limited, a director of C&D Real Estate Corporation Limited and a director of Well Honour International Limited. Ms. Wu also serves as director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).

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

Mr. HUANG Wenzhou (黃文洲) ("Mr. Huang")

Mr. Huang, aged 52, has been appointed as a non-executive Director since 29 April 2015. Mr. Huang graduated from MBA of Xiamen University majoring in business administration. He is an accountant.

Mr. Huang has been working in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years. On 2 March 2017, he was appointed and currently serves as the chairperson of Xiamen C&D Corporation Limited and a director of C&D Real Estate Corporation Limited. Mr. Huang also serves as vice-chairman of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Wai (黃馳維)

Mr. Wong Chi Wai, aged 50, has been an independent non-executive Director of the Company since 23 November 2012. He is also the chairman of the audit committee of the Board (the "Audit Committee") and a member of the Remuneration Committee and the Nomination Committee. He currently also serves as an independent non-executive director of Bonjour Holdings Limited (stock code: 653), Kin Yat Holdings Limited (stock code: 638) and Arts Optical International Holdings Limited (stock code: 1120), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of Kin Yat Holdings Limited. From September 2013 to October 2016, Mr. Wong Chi Wai served as an independent non-executive director of China Ludao Technology Company Limited (stock code: 2023), a company listed on the Main Board of the Stock Exchange. Mr. Wong Chi Wai obtained a bachelor's degree in social science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. He has over 29 years of experience in the accountancy profession. Other than his private practice in accounting, he is currently a trainee solicitor in a law firm.

The United States Public Company Accounting Oversight Board on 18 May 2016 censured Mr. Wong Chi Wai, barring him from being an associated person of a registered public accounting firm which has audit responsibilities for public companies in the United States of America ("U.S."), and imposing a civil money penalty against him of US$10,000 on the basis of its findings that in connection with the audits of one U.S. issuer client of his firm, AWC (CPA) Limited. Mr. Wong Chi Wai violated certain U.S. laws, rules and standards relating to the audit requirements of a U.S. issuer client. Mr. Wong Chi Wai may file a petition to associate with a registered public accounting firm after two years from the date of the order.

Mr. WONG Tat Yan, Paul (黃達仁)

Mr. Wong Tat Yan, Paul, aged 47, has been an independent non-executive Director of the Company since 23 November 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Wong Tat Yan, Paul obtained a bachelor's degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master's degree in business administration from the University of Queensland in Australia in 2004. He currently also serves as an independent non-executive director for Share Economy Group Limited (formerly known as Vitop Group Limited, stock code: 1178) which is listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee and remuneration committee of Share Economy Group Limited. Mr. Wong Tat Yan, Paul is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 20 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently a partner of Paul Wong & Co., a certified public accountants firm in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Chun Yee (陳振宜) ("Mr. Chan")

Mr. Chan, aged 39, has been an independent non-executive director of the Company since 23 November 2012. He is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. He obtained a bachelor's degree in laws from the City University of Hong Kong in 1999 and a master's degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. Mr. Chan is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong for more than ten years in general legal practice and in different areas of law. Mr. Chan has been working as a solicitor at the law firm of C.T. Chan & Co., Solicitors since 2002 and become a partner of that law firm since April 2015. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

SENIOR MANAGEMENT

Mr. LIN Weiguo (林偉國) ("Mr. Lin")

Mr. Lin, aged 38, has been appointed as the Financial Controller of the Company since 20 March 2015 (resigned on 15 March 2016), and the Chief Operating Officer of the Company since 15 March 2016. He served as the general manager of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870). He joined the C&D Real Estate Corporation Limited in 2007 and served as the financial controller and assistant to general manager of C&D Real Estate Corporation Limited. He is currently serves as the deputy general manager of C&D Real Estate Corporation Limited and as a director of some subsidiaries of the Group. Mr. Lin is responsible for the overall daily operation and management of the Group.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Xiaopeng (陳小鵬)

Mr. Chen Xiaopeng, aged 34, has been appointed as the financial controller of the Company since 15 March 2016. He has engaged in financial field for nearly 10 years, accumulating a wealth of financial management experience. He joined the C&D Real Estate Corporation Limited in 2010 and served as the assistant general manager and vice-general manager of the finance department of C&D Real Estate Corporation Limited. He currently serves as the general manager of the finance department of C&D Real Estate Corporation Limited. Mr. Chen is responsible for the overall financial management of the Group.

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

Mr. CAI Zhenping (蔡振平) ("Mr. Cai")

Mr. Cai, aged 35, has been appointed as the internal audit controller of the Company since 15 March 2016. He has engaged in financial field for nearly 14 years and in audit field for more than 5 years, accumulating a wealth of financial and auditing management experience. He joined the C&D Real Estate Corporation Limited in April 2008 and served as the assistant general manager of the finance department of C&D Real Estate Corporation Limited, and the assistant general manager and vicre-general manager of the auditing department of C&D Real Estate Corporation Limited. He currently serves as the general manager of the auditing department of C&D Real Estate Corporation Limited. Mr. Cai is responsible for the internal audit of the Group.

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

COMPANY SECRETARY

Ms. SOON Yuk Tai ("Ms. Soon")

Ms. Soon, aged 50, has been appointed as the company secretary of the Company since 1 May 2016. Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, which is a global professional services provider specialising in integrated business, corporate and investor services. She is a Chartered Secretary and a Fellow of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Soon has extensive experience in a diversified range of corporate services and has been providing professional services to a number of companies listed on the Stock Exchange.

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 20 to the consolidated financial statements. During the Year, there were newly developed businesses as follow:

(1) Internet finance: It established an associate, Guangzhou Jian Xin Small Loan Company Limited* (廣州建信小額貸款有限公司), which is committed to expanding huge consumer finance and industrial finance business in China through development of real estate industry chain financial services.

(2) High-end home furnishing: The Company contributed capital to establish Xiamen Jianfa Furniture Company Limited* (廈門建發家居有限公司), which is engaged in sales and operation of lobular red sandalwood home furnishing, artwork and collection.

(3) Youkeclub* (優客會): The Company contributed capital to establish Xiamen Jianfa Youkeihui Internet Technology Co., Ltd.* (廈門建發優客會網絡科技有限公司), which is dedicated to the internal marketing resource consolidation of Xiamen C&D Corporation Limited* (廈門建發集團有限公司), and established a Wechat marketing platform of Jianfa Shopping Mall to build a household paper brand of "Qushe" (取捨) and provides marketing channels to hotel accommodation, food and beverage as well as consumables such as red wine of Xiamen C&D Corporation Limited.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 9 to 18 of the annual report and the "Environmental, Social and Governance Report" set out on pages 55 to 62 of the annual report. The relevant discussion in the "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" sections forms part of this report.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2016 are set out in the consolidated financial statements and their accompanying notes on pages 67 to 142 of this report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK10 cents per Share (i.e. HK$ 0.1 per Share) in respect of the Year (2015: nil), subject to the approval at the AGM. Based on the 428,000,000 Shares in issue as at 31 December 2016, it is expected that the final dividend payable will amount to HK$42,800,000 (equivalent to approximately RMB38,285,000). Subject to the approval of the shareholders of the Company at the AGM, the final dividend is expected to be paid to the eligible shareholders of the Company on 26 May 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 10 May 2017 to Tuesday, 16 May 2017 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Tuesday, 9 May 2017.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Monday, 22 May 2017 to Tuesday, 23 May 2017 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Friday, 19 May 2017.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Tuesday, 16 May 2017.

FINANCIAL SUMMARY

A summary of the financial results as well as the assets and liabilities of the Group for the last five financial years is set out on page 143 of this report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 29 to the consolidated financial statements and the consolidated statement of changes in equity on pages 72 to 73 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately RMB894.62 million.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately RMB432 million may be applied for paying distributions or dividends to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group for the Year are set out in note 17 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group did not make charitable donations (2015: nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 6% and 17% of the Group's total revenue for the Year respectively.

During the Year, the Group's largest suppliers were general contractors. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 31% and 51% of the Group's total purchases for the Year respectively.

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

BOARD OF DIRECTORS

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

Executive Directors

Mr. Zhuang Yuekai *(Chairman)* R/N
Mr. Shi Zhen
Ms. Zhao Chengmin

Non-executive Directors (the "NEDs")

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

Independent Non-executive Directors (the "INEDs")

Mr. Wong Chi Wai A/R/N
Mr. Wong Tat Yan, Paul A/R/N
Mr. Chan Chun Yee A/R/N

Notes:

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

In accordance with Article 105 of the Articles of Association, Ms. Zhao Chengmin, Ms. Wu Xiaomin and Mr. Wong Chi Wai will retire from office by rotation and being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 24 of the annual report.

CONFIRMATION OF INDEPENDENCE OF INEDS

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

SERVICE CONTRACTS OF DIRECTORS

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

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of Directors	Capacity/Nature of interests	Number of issued Shares held	Approximate percentage of shareholding *(Note 1)*
Zhuang Yuekai	Founder of a discretionary trust	50,580,000 *(Note 2)*	11.82
Shi Zhen	Founder of a discretionary trust	50,580,000 *(Note 2)*	11.82
Zhao Chengmin	Founder of a discretionary trust	50,580,000 *(Note 2)*	11.82

Notes:

1 The percentage of shareholding was calculated based on the Company's total number of 428,000,000 Shares in issue as at 31 December 2016.

2 These Shares were registered in the name of Diamond Firetail Limited ("Diamond Firetail"), which is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Equity Trustee Limited ("Equity Trustee"). Equity Trustee is a trustee of a discretionary trust and each of Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin is one of the founders of the said discretionary trust and has interests of approximately 5.82%, 3.64% and 2.91% in the discretionary trust, respectively. Therefore, Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares and underlying Shares:

Name of Shareholders	Capacity/Nature of interests	Number of issued Shares held	Approximate percentage of shareholding *(Note 1)*
Well Land International Limited (益能國際有限公司) ("Well Land")	Beneficial owner	215,472,000	50.34
Well Honour International Limited (益鴻國際有限公司) ("Well Honour")	Interest of controlled corporation	215,472,000 *(Note 2)*	50.34
C&D Real Estate	Interest of controlled corporations	215,472,000 *(Note 2)*	50.34
Xiamen C & D Inc. (廈門建發股份有限公司)	Interest of controlled corporations	215,472,000 *(Note 2)*	50.34
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("Xiamen C & D")	Interest of controlled corporations	215,472,000 *(Note 2)*	50.34
Diamond Firetail	Beneficial owner	50,580,000	11.82
Equity Trustee	Trustee/Interest of controlled corporation	50,580,000 *(Note 3)*	11.82
Zhang Yunxia	Founder of a discretionary trust	50,580,000 *(Note 3)*	11.82
Cheng Bing	Founder of a discretionary trust	50,580,000 *(Note 3)*	11.82
Viewforth Limited ("Viewforth")	Beneficial owner	40,000,000	9.35
Fullshare Holdings Limited ("Fullshare Holdings")	Interest of controlled corporations	40,000,000 *(Note 4)*	9.35
Magnolia Wealth International Limited ("Magnolia Wealth")	Interest of controlled corporations	40,000,000 *(Note 4)*	9.35
Ji Changqun	Interest of controlled corporations	40,000,000 *(Note 4)*	9.35

Notes:

1 The percentage of shareholding was calculated based on the Company's total number of 428,000,000 Shares in issue as at 31 December 2016.

2 These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153). As at 31 December 2016, Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality, owns 45.89% interests in Xiamen C&D Inc.. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares held by Well Land by virtue of the SFO.

3 These Shares were registered in the name of Diamond Firetail. Diamond Firetail is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a trustee of a discretionary trust and Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founders of the said discretionary trust. Therefore, Equity Trustee, Ms. Zhang Yunxia and Ms. Cheng Bing are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. The interests of Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are shown in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations" above.

4. These Shares were registered in the name of Viewforth, a company incorporated in the British Virgin Islands. Viewforth is a wholly-owned subsidiary of Fullshare Holdings. Fullshare Holdings is a controlled corporation of Magnolia Wealth. Magnolia Wealth is 100% beneficially owned by Mr. Ji Changqun. Therefore, Fullshare Holdings, Magnolia Wealth and Mr. Ji Changqun are deemed to be interested in the Shares held by Viewforth by virtue of the SFO.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

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

Save as those connected transactions and continuing connected transactions set out on page 32 to 37, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

MANAGEMENT CONTRACT

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 35 to the consolidated financial statements, and save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Listing Rules) of the Company and was subject to reporting requirement during the Year and as at 31 December 2016.

LITIGATIONS

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

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 38 to the consolidated financial statements.

CONNECTED TRANSACTION

On 5 April 2016, Xiamen Yi Yue Property Company Limited* (廈門益悦置業有限公司) ("Yi Yue"), an indirectly wholly-owned subsidiary of the Company, Xiamen C&D Inc.* (廈門建發股份有限公司) and Fujian Province Anya Rose Wood Furniture Company Limited* (福建省安雅紅木家具有限公司) ("Fujian Anya") entered into a cooperation agreement (the "Cooperation Agreement") for the formation of an associate for carrying out the sales of high-end rosewood furniture. Pursuant to the Cooperation Agreement, Yi Yue, Xiamen C&D Inc. and Fujian Anya agreed to contribute RMB3,000,000, RMB4,000,000 and RMB3,000,000, representing 30%, 40% and 30% of the registered share capital of the associate respectively. As Xiamen C&D Inc. is a controlling shareholder of the Company, it is a connected person of the Company. Accordingly, the formation of the associate constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios were less than 5% but the capital contribution of the associate by Yi Yue was more than HK$3,000,000, the entering into of the Cooperation Agreement was only subject to reporting and announcement requirements but was exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 18 August 2016, Yi Yue, entered into a capital increase agreement (the "Capital Increase Agreement") with Suzhou Zhaokun Real Estate Development Company Limited* (蘇州兆坤房地產開發有限公司) ("Suzhou Zhaokun") and Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) ("Xiamen Liyuan"), pursuant to which the parties agreed that the registered capital of Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司) (the "Target Company") will be increased from RMB100,000,000 to RMB114,940,000 (the "Capital Increase"). Yi Yue has agreed to contribute an aggregate amount of RMB517,900,000 in cash, including (i) RMB14,940,000 as payment for the registered capital; (ii) RMB7,760,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB495,200,000 at an interest rate of 5.8% per annum for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue. Assuming no further shares will be issued by the Target Company, upon completion of the Capital Increase, Yi Yue will hold approximately 13% of the registered capital of the Target Company as enlarged by the Capital Increase in the Target Company. As each of Suzhou Zhaokun and Xiamen Liyuan is a subsidiary of C&D Real Estate, a controlling shareholder of the Company, Suzhou Zhaokun and Xiamen Liyuan are considered as connected persons of the Company. The entering into of the Capital Increase Agreement therefore constituted a connected transaction under Chapter 14A of the Listing Rules. When aggregated with the cooperation agreement for the formation of a associate as disclosed in the announcements of the Company dated 1 December 2015 and 31 December 2015, the Capital Increase Agreement constitutes a major and connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements. At the extraordinary general meeting held on 12 October 2016, the proposed resolution approving the transactions contemplated under the Capital Increase Agreement was passed by the independent shareholders of the Company by way of poll.

On 25 October 2016, Guangxi Nanning Li Bai Business Service Company Limited* (廣西南寧利柏商務服務有限公司) ("Nanning Li Bai"), an indirectly wholly-owned subsidiary of the Company, C&D Real Estate and Hong Xin Chuang Ye Worksite Investment Group Shares Company Limited* (弘信創業工場投資集團股份有限公司) ("Hong Xin") entered into an agreement for the formation of an associate for carrying out, among others, the provision of small loan business and other approved business in the PRC upon receiving the necessary approval(s) from the relevant PRC government authorities. Pursuant to the agreement, Nanning Li Bai, C&D Real Estate and Hong Xin agreed to contribute RMB34,000,000, RMB36,000,000 and RMB30,000,000, representing 34%, 36% and 30% of the registered capital of the Company. As C&D Real Estate is a controlling shareholder of the Company, it is a connected person of the Company. Accordingly, the formation of the associate constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios were less than 5% but the capital contribution of the associate by Nanning Li Bai was more than HK$3,000,000, the entering into of the agreement was subject to reporting and announcement requirements but was exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 4 December 2016, the Company as issuer entered into a subscription agreement (the "Subscription Agreement") with Well Land as subscriber in relation to, among other things, the proposed issue of the perpetual convertible bond in an aggregate principal amount of HK$500,000,000 (the "Perpetual Convertible Bond") under a specific mandate. Pursuant to the Subscription Agreement, the Company had conditionally agreed to issue, and Well Land had conditionally agreed to subscribe for, the Perpetual Convertible Bond. As Well Land is a controlling shareholder of the Company, it is regarded as a connected person of the Company. Accordingly, the entering into of the Subscription Agreement constituted a connected transaction for the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting held on 17 February 2017, the proposed resolution approving the transactions contemplated under the Subscription Agreement was passed by the independent shareholders of the Company by way of poll.

CONTINUING CONNECTED TRANSACTIONS

1. Continuing connected transactions in relation to the entrusted construction agreements

On 14 December 2015, Xiamen Zhaocheng Engineering Construction and Management Limited ("Zhaocheng Engineering"), an indirect wholly-owned subsidiary of the Company, entered into two entrusted construction agreements with Xiamen Heshan Construction and Development Limited ("Heshan Construction") in respect of the Fanghu Yayuan Resettlement Housing* (枋湖雅苑安置房) project (the "Fanghu Project") and the Xueling Village Redevelopment Resettlement Housing* (薛嶺舊村改造安置房) project (the "Xueling Project") respectively, pursuant to which Zhaocheng Engineering shall provide construction management services to Heshan Construction in respect of the Fanghu Project and the Xueling Project.

The construction management fees shall be calculated based on 5% of the direct development costs of the Fanghu Project and the Xueling Project.

The annual caps (as revised) of the construction management services provided by Zhaocheng Engineering to Heshan Construction under the entrusted construction agreement in respect of the Fanghu Project (the "Fanghu Entrusted Construction Agreement") were as follows:

Financial year	Annual caps under the Fanghu Entrusted Construction Agreement
1 January 2016 to 31 December 2016	RMB4,477,200
1 January 2017 to 31 December 2017	RMB6,000,000
1 January 2018 to 31 December 2018	RMB1,094,390

The annual caps (as revised) of the construction management services provided by Zhaocheng Engineering to Heshan Construction under the entrusted construction agreement in respect of the Xueling Project (the "Xueling Entrusted Construction Agreement") were as follows:

Financial year	Annual caps under the Xueling Entrusted Construction Agreement
1 July 2016 to 31 December 2016	RMB3,340,000
1 January 2017 to 31 December 2017	RMB6,680,000
1 January 2018 to 31 December 2018	RMB9,000,000
1 January 2019 to 31 December 2019	RMB5,640,000

Heshan Construction is a wholly-owned subsidiary of C&D Real Estate, a controlling shareholder of the Company and is therefore a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions under the Fanghu Entrusted Construction Agreement and the transactions under the Xueling Entrusted Construction Agreement should be aggregated. As the applicable percentage ratios for the aggregated transactions exceeded 5% but were less than 25% and the consideration was more than HK$10 million, the aggregated transaction constituted a discloseable transaction and a non-exempt connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. As such, the aggregated transactions were subject to reporting, announcement and independent shareholders'approval requirements. At the extraordinary general meeting of the Company held on 9 May 2016, the Fanghu Entrusted Construction Agreement and the Xueling Entrusted Construction Agreement and the proposed annual caps thereunder have been approved by the independent shareholders of the Company. Please refer to the Company's announcements dated

14 December 2015 and 20 January 2016 and circular dated 21 April 2016 for further details of the above continuing connected transactions.

During the year, the construction management fees payable to Heshan Construction under the Fanghu Entrusted Construction Agreement amounted to RMB4,224,000 and there were no construction management fees payable under the Xueling Entrusted Construction Agreement.

2. Continuing connected transactions in relation to the lease of properties

On 14 March 2016, Shanghai Zhaoyu Asset Management Limited Company ("Shanghai Zhaoyu"), a subsidiary of the Company, entered into a lease ("Huayuan Lease") in respect of the Xinjiangwan Huayuan* (新江灣華苑) project (the "Huayuan Project") and a lease ("Jiayuan Lease") in respect of the Xinjiangwan Jiayuan* (新江灣嘉苑) project (the "Jiayuan Project") with Shanghai Zhongyue Real Estate Development Limited Company ("Shanghai Zhongyue") and Shanxidi Real Estate Development Limited Company ("Shanghai Shanxidi") respectively, pursuant to which Shanghai Zhongyue and Shanghai Shanxidi agreed to lease certain properties in the Huayuan Project and the Jiayuan Project to Shanghai Zhaoyu.

The term of the Jiayuan Lease is 60 months commencing from 15 March 2016 to 14 March 2021, while the term of the Huayuan Lease is 60 months commencing from 1 July 2016 to 30 June 2021. An independent financial advisor has been appointed by the Company to opine on the term of the two leases, which is more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

The rent payable under each of the Jiayuan Lease and the Huayuan Lease shall be calculated daily at RMB0.28 per sq.m., RMB0.3 per sq.m., RMB0.32 per sq.m., RMB0.34 per sq.m., RMB0.36 per sq.m. and RMB0.36 per sq.m., for the years ending 31 December 2016, 2017, 2018, 2019, 2020 and 2021 respectively, which is determined based on arm's length basis by reference to the prevailing market rates of the rental charge of properties in Shanghai.

The annual caps of the transactions contemplated under the Jiayuan Lease and the Huayuan Lease were as follows:

Financial year	Annual caps under the Jiayuan Lease	Annual caps under the Huayuan Lease
Year ending 31 December 2016	RMB2,160,000	RMB1,810,000
Year ending 31 December 2017	RMB2,850,000	RMB3,720,000
Year ending 31 December 2018	RMB3,040,000	RMB3,980,000
Year ending 31 December 2019	RMB3,230,000	RMB4,230,000
Year ending 31 December 2020	RMB3,430,000	RMB4,500,000
Year ending 31 December 2021	RMB700,000	RMB2,290,000

Each of Shanghai Shanxidi and Shanghai Zhongyue is a subsidiary of C&D Real Estate and is therefore a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as all the applicable percentage ratios in respect of the highest annual cap of the two leases exceed 0.1% but are less than 5% on an annual basis, the transactions contemplated under the two leases are subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 14 March 2016 for further details of the above continuing connected transactions.

During the Year, the rent payable to Shanghai Zhongyue under the Huayuan Lease amounted to RMB1,769,000 and the rent payable to Shanghai Shanxidi under the Jiayuan Lease amounted to RMB2,152,000.

3. Continuing connected transactions in relation to the consignment agreements

On 19 August 2016, Shanghai Zhaoyu entered into a consignment agreement with each of Shanghai Shanxidi and Shanghai Zhongyue respectively, pursuant to which Shanghai Zhaoyu agreed to act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of certain properties under the Jiayuan Project and the Huayuan Project in consideration of consignment fees.

The annual caps of the transactions contemplated under the consignment agreement with Shanghai Shanxidi (the "Jiayuan Consignment Agreement") and the consignment agreement with Shanghai Zhongyue (the "Huayuan Consignment Agreement") were as follows:

Financial year	Annual caps under the Jiayuan Consignment Agreement	Annual caps under the Huayuan Consignment Agreement
Year ending 31 December 2017	RMB8,767,000	RMB11,701,500
Year ending 31 December 2018	RMB8,767,000	RMB11,701,500
Year ending 31 December 2019	RMB8,767,000	RMB11,701,500

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement, as well as the transactions under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as one of the applicable percentage ratios in respect of the highest annual cap exceed 5% but are less than 25%, the aggregated transactions are subject to the reporting, announcement and independent shareholders' approval requirements. At the extraordinary general meeting of the Company held on 12 October 2016, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement and the proposed annual caps thereunder have been approved by the independent shareholders of the Company. Please refer to the Company's announcement dated 19 August 2016 and the Company's circular dated 24 September 2016 for further details of the above continuing connected transactions.

During the Year, there were no consignment fees payable to Shanghai Shanxidi and Shanghai Zhongyue under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement respectively.

Review by independent non-executive Directors and the auditor of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs of the Company have reviewed the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was also engaged to report on the Group's continuing connected transactions with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") in 2012 for the purpose of providing incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group's operations. The Share Option Scheme totally complies with the requirements of Chapter 17 of the Main Board Listing Rules after the listing of the Company's Shares has been transferred from the GEM Board to the Main Board in 2014. So the Share Option Scheme is still effective after the transfer. The principal terms of the Share Option Scheme are set out below:

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for the Shares in the Company:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Maximum number of Shares under the Share Option Scheme

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

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

Maximum entitlement of each participant

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

Time of acceptance and exercise of option

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

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

Subscription price for the Shares and consideration for the option

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

Remaining life of the Share Option Scheme

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

No share options were granted, exercised or cancelled by the Company or lapsed under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2016.

RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

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

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

Date of agreement	Date of completion	Fund raising activity	Net proceeds raised	Reasons for fund raising and use of net proceeds	Closing price of last trading date before the date of agreement	Actual use of net proceeds as of 31 December 2016
4 December 2016	21 December 2016	Placing of 68,000,000 new ordinary shares at a placing price of HK$3.97 per placing share to independent third parties under general mandate	Approximately HK$266,960,000	Raise capital for the Company and broaden the shareholders' base and capital base of the Company HK$100,000,000 out of the net proceeds for the repayment of loans from shareholders, and the remaining balance of the net proceeds for general working capital purposes	HK$4.95	HK$100,000,000 out of the net proceeds for the repayment of loans from shareholders, and the remaining balance of the net proceeds for general working capital purposes
4 December 2016	1 March 2017	Issue of perpetual convertible bond in an aggregate principal amount of HK$500,000,000 to Well Land International Limited. The perpetual convertible bond is convertible into 108,695,652 conversion shares at the initial conversion price of HK$4.6 per conversion share under special mandate	Approximately HK$499,400,000	Broaden the Company's financing channels, optimize the Company's debt structure and further enhance its risk-resisting capability and capability of sustainable development All of the proceeds will be applied to repay loans from the shareholders	HK$4.95	All of the proceeds will be applied to repay loans from the shareholders

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 43 to 54 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company had maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 8.08 of the Listing Rules (as appropriate).

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

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

As at 31 December 2016, there were still 30 lease agreements pending to be registered due to:

- the delay or refusal of the counter-parties to provide the necessary information to effect registration in a timely manner (28 lease agreements were involved); and
- the lack of the relevant building ownership certificates (two lease agreements were involved).

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

Property ownership certificate of Yu Feng High Street

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

As at 31 December 2016, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so as to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

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

On behalf of the Board

Mr. Zhuang Yuekai
Chairman

Hong Kong, 24 March 2017

* For identification purpose only

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with the applicable code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a set of code of conduct (the "Code of Conduct") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards set out in the Model Code and its Code of Conduct during the Year.

No incident of non-compliance of the Code of Conduct by the employees was noted by the Company during the Year.

BOARD OF DIRECTORS

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

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

BOARD COMPOSITION

During the Year, the Board comprised the following Directors:

Executive Directors

Mr. Zhuang Yuekai (Chairman)
Mr. Shi Zhen[1]
Ms. Zhao Chengmin[2]

Non-executive Directors

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

Independent Non-executive Directors

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

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

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

Notes:

1. Resigned as Chief Executive Officer with effect from 15 March 2016.
2. Resigned as Deputy Executive Officer with effect from 15 March 2016.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

Apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the Year.

During the Year, four Board meetings and one AGM were held. Details of the attendance of the Directors are as follows:

Name of Directors	Attendance of Board Meeting	Attendance of AGM
Mr. Zhuang Yuekai	4/4	1/1
Mr. Shi Zhen	4/4	1/1
Ms. Zhao Chengmin	4/4	1/1
Ms. Wang Xianrong	4/4	1/1
Ms. Wu Xiaomin	4/4	1/1
Mr. Huang Wenzhou	4/4	1/1
Mr. Wong Chi Wai	4/4	1/1
Mr. Wong Tat Yan, Paul	4/4	1/1
Mr. Chan Chun Yee	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by seperate persons since 10 February 2015. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Mr. Zhuang Yuekai and Mr. Shi Zhen were appointed as the Chairman and the Chief Executive Officer respectively on 10 February 2015. Ms. Zhao Chengmin, an executive Director, acted as Deputy Executive Officer. Due to a change in executive functions within the Gorup, on 15 March 2016, Mr. Shi Zhen and Ms. Zhao Chengmin resigned from the positions of Chief Executive Officer and Deputy Executive Officer of the Company respectively, and Mr. Lin Weiguo was appointed as the Chief Operating Officer of the Company who is responsible for the Company's business decelopment and daily management and operations, performing the main duties of the Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive Directors of the Company are appointed for a specific term of three years from their respective date of appointment, subject to renewal after the expiry of the then current term and retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors has been appointed for an initial term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term, subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

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

Under the Articles of Association of the Company, at each AGM, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Accordingly, Ms. Zhao Chengmin, Ms. Wu Xiaomin and Mr. Wong Chi Wai will retire from office by rotation at the AGM and being eligible, have offered themselves for re-election.

RESPONSIBILITIES OF THE DIRECTORS

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

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

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

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

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key project sites and meetings with senior management of the Company.

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

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors during the Year are summarized as follows:

Name of Directors	Types of Training Note
Executive Directors	
Mr. Zhuang Yuekai	A/B
Mr. Shi Zhen	A/B
Ms. Zhao Chengmin	A/B
Non-executive Directors	
Ms. Wang Xianrong	A/B
Ms. Wu Xiaomin	A/B
Mr. Huang Wenzhou	A/B
Independent Non-executive Directors	
Mr. Wong Chi Wai	A/B
Mr. Wong Tat Yan, Paul	A/B
Mr. Chan Chun Yee	A/B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under Corporate Information on page 2.

AUDIT COMMITTEE

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

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

During the Year, the Audit Committee held two meetings to review the annual financial results and report in respect of the year ended 31 December 2015, the interim results and report for the six months ended 30 June 2016, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	**Attendance**
Mr. Wong Chi Wai *(Chairman)*	2/2
Mr. Wong Tat Yan, Paul	2/2
Mr. Chan Chun Yee	2/2

REMUNERATION COMMITTEE

The Remuneration Committee consists of four members, namely Mr. Zhuang Yuekai, executive Director, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, independent non-executive Directors. Mr Wong Tat Yan, Paul is the chairman of the Remuneration Committee.

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

During the Year, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Executive Directors and senior management and other related matters.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Wong Tat Yan, Paul *(Chairman)*	1/1
Mr. Zhuang Yuekai	1/1
Mr. Wong Chi Wai	1/1
Mr. Chan Chun Yee	1/1

Details of the remuneration of the Directors and senior management of the Company during the Year are set out in note 14 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee consists of four members, namely Mr. Zhuang Yuekai, executive Director, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, independent non-executive Directors. Mr. Zhuang Yuekai is the chairman of the Nomination Committee.

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

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

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

During the Year, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

Name of Members of the Nomination Committee	**Attendance**
Mr. Zhuang Yuekai *(Chairman)*	1/1
Mr. Chan Chun Yee	1/1
Mr. Wong Chi Wai	1/1
Mr. Wong Tat Yan, Paul	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Code of Conduct, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including risk identification, risk analysis, risk response, risk monitoring and risk reporting processes.

The objectives of the Company's risk management systems are to ensure that the Company operates an effective risk management system, to introduce the established risk management policy into the daily operations of the Company's business units, to cultivate and encourage awareness of risk management within the Group and to measure different risks, to monitor and control risks effectively and to ensure effective mitigation of risks, and the reduction of impact of risks.

The Company encourages employees to adopt a proactive risk management approach to further strengthen the Group's risk awareness culture. The risk management system is incorporated into the business processes of our business units within the Group in order to mitigate the impact of risks with effective risk management policies. Evaluation has been conducted at least annually to confirm that risk management procedures and control policies are properly complied with. The Company has also engaged external professional firm for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Company has an internal audit function to focus on the adequacy and effectiveness of its risk management and internal control systems.

The management assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. It has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the Year.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2016, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company during the Year.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 63 to 66.

AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor in respect of audit services and non-audit services during the Year amounted to HKD790,000 and HKD320,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, in respect of audit services and non-audit services during the Year is set out below:

Service Category	Fees Paid/Payable
Audit Services	Nil/HKD790,000
Non-audit Services	
– risk management review and internal control review, and service in environmental, social and governance reporting (Grant Thornton Advisory Services Limited)	HKD160,000/Nil
– professional services for major acquisition	HKD160,000/Nil

COMPANY SECRETARY

The Company has engaged Ms. Soon Yuk Tai of Tricor Services Limited, external service provider, as the Company's company secretary. Its primary contact person at the Company is Mr. Chen Xiaopeng, financial controller of the Company.

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Shareholders are encouraged to attend all general meetings of the Company. According to Article 64 of the Articles of Association, shareholders holding not less than 10% of the paid up capital of the Company having the right of voting at general meetings can request to convene an extraordinary general meeting ("EGM") by depositing a requisition in writing to the Directors or the company secretary for such purpose. The written requisition shall be deposited to the Company's office located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to put forward new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association of the Company. However, shareholders who wish to put forward proposal at general meetings may make a requisition to convene an EGM following the procedures set out above.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 2525 7890
Email:	(852) 2525 7922

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

Procedures for Shareholders to Propose a Person for Election as a Director

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

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

Head office and principal place of business of the Company in Hong Kong
Office No. 3517
35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Hong Kong branch share registrar and transfer office of the Company
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

COMMUNICATION 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 endeavours to maintain an on-going dialogue with shareholders and in particular, through AGMs and other general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the Year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPES AND REPORTING PERIOD

To align with the requirements set out in the Environmental, Social and Governance Reporting Guide ("Environmental, Social and Governance Guide") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group hereby presents the Environmental, Social and Governance Report ("Environmental, Social and Governance Report") for the year ended 31 December 2016.

The Board of the Company are responsible for our environmental, social and governance strategies and reporting, including assessing and determining risks related to environmental, social and governance and ensure the establishment of proper and effective environmental, social and governance risks management and internal monitoring systems. We have appointed our business functions to invite joint participation of colleagues from different departments in the overview of the Group's operations and holding internal discussions. Considering the importance of the identification and assessment of environmental, social and governance matters for our businesses and stakeholders, the management have confirmed to the Board the effectiveness of the environmental, social and governance risks management and internal monitoring systems.

In accordance with the general disclosure requirements in the Environmental, Social and Governance Guide, matters related to the identification of material environmental, social and governance have been set out in this Environmental, Social and Governance Report, which is designed to disclose the performance of the environmental, social and governance in the Group's operations in the principle of balance and set forth the Group's practice of the concept of sustainable development in a full scale and performance of corporate civic responsibilities.

For detailed information on the Company's environmental, social and corporate governance, please see the Company's official website and annual reports. Should you have any advices or suggestions, you are welcomed to send emails to mikechueng@cndintl.com or write to the Company's principal place of business in Hong Kong. Your opinions on this Report will be of great importance to us.

OPINIONS OF STAKEHOLDERS

Emissions

As to emissions, the Group has always requested contractors abide by all the laws and regulations, in particular, set strict requirements on emissions and researched into how to reduce emissions with contractors.

In daily operations, we employed environment-friendly devices such as T5 lighting and LED bulbs to reduce as much energy consumption as possible by energy saving. We also installed architectural structures that could lower energy consumption, for example, applying heat-preserving and energy-saving architecture and using recoverable aluminum films during construction.

During the year, we often convened video conferences as substitute for face-to-face meetings requiring business trips by plane.

USE OF RESOURCES

In the process of planning and construction in real estate development, we effectively reduced earth excavation and mountain destruction through planning and design. We employed commercial concrete and mortar to decrease dusts on site; we used aluminum films and recoverable templates of aluminum films at the construction site to reduce construction wastes and site contamination. We also encouraged employees to take environment-friendly actions, for instance, encouraging employees to save materials, use substitute materials and save construction area to cut down costs during design and construction.

The Group required employees to cut off power for devices such as computers and printers before duty-off time and the employee who last leaves the office building should inspect each department at each floor and shut down unnecessary public facilities and electric appliances. We also adopted other measures to reduce the use of resources, for instance, cutting paper consumption through going paperless; using T5 energy-saving lighting; encouraged employees to use car-hailing apps and public transportation, reduce the use of corporate vehicles and improve the service efficiency of transportation to indirectly cut consumption of petrochemical energy.

ENVIRONMENT AND NATURAL RESOURCES

The Group advocated green energy-saving architecture, set lowest resource consumption and polluting emission reduction as standards and promoted green concepts throughout every stage of the whole architecture project such as planning, design, construction and service to the realization of green low-carbon architecture and lifestyle.

We have adopted the following measures:

Research and development: with the support of professional research institute on green architecture, mobilized various energy-saving and environment-friendly technologies to research into and developed applied technology systems for highly comfortable green residence.

Design: fully studied the natural conditions of construction areas including geography, water conservancy and meteorology, carried out construction according to local conditions and stick to the green architecture concept of energy-saving, water-preserving, material-saving, construction area saving and optimizing interior and exterior environment to create comfortable living space.

Construction: advocated green construction, saved resources to the greatest extent through scientific management and technological progress to lessen the negative effect of construction activities on the environment.

Social responsibilities of architecture: innovated the development concept, technologies and procedures of traditional residence in a vigorous attempt and undertook the social responsibilities of energy saving and emission reduction while providing highly comfortable and energy-saving residence to the clients.

The Group also kept complying with national and local laws for environmental protection and carried out businesses in accordance with various laws and regulations promulgated by the State regarding environmental protections.

EMPLOYMENT

Remuneration and welfare policies for employees

The Group has made the following attempts with regard to our employer sustainable competitiveness:

Employee recruitment: the Group gave full consideration to the features and demands of different positions, opposed gender discrimination and promote gender equality. Principles of equal pay for equal work and equal opportunities for both males and females have been followed in all types of policies with regard to remuneration, welfare and career development against gender discrimination.

Employee benefits: the Group boasted relatively sound employee benefits and caring, including market-competitive remuneration, promotion of fairness among employees, justic, comfortable and safe work environment, sound employee health management (commercial insurance, health examination and etc.) and different kinds of thoughtful welfare and benefits for employees.

Employee welfare included: employee insurance – to pay social insurance in accordance with the laws, purchase commercial insurance and supplementary medical insurance high in coverage for employees and pay "five social insurances and one housing fund" for female employees in line with national provisions of safeguards, particularly during three periods (pregnancy, delivery and lactation); employee health – to provide health examination for employees each year free-of-charge and third-party medical services to employees and their families; employee allowance – e.g. allowance for employees working in places other than their hometowns, special allowance such as rent allowance and transportation, communication, overtime-meal, heatstroke prevention allowance for all employees; employee vacations – to allow corresponding maternity and breastfeeding leave during female employees' pregnancy, delivery and lactation and pay corresponding salaries in accordance with regulations; the Group have prepared red envelops for marriage, condolence expenses, pensions and birthday blessings etc.

Employee performance appraisals: we would evaluate the working performance of all employees; performance appraisals have been adopted based on demands for employees in different business forms. The results of employees' performance were linked to appointment, appraisal and awards and adjustment of remuneration. As for employees in probation period, the Group designated tutors for newcomers on the basis of one-on-one tutoring and employed different methods to track and evaluate their performance. Our senior management would regularly conduct impartial performance assessment. The Group would assess all senior management by the end of each year and ensure the assessment is objective and fair by combining performance evaluation, anonymous online evaluation and employee interviews.

The Group is committed to improving talent competitiveness and accelerating talent cultivation. Therefore, the present employee turnover rate of the Group is lower than average in the industry.

Equal opportunity

The Group adhered to the principle of openness, justice and fairness in recruitment and a unified principle without discrimination in employment standards and selection procedures. Those who have made significant contributions in daily work would be rewarded based on the reward & punishment measures for employees. Outstanding employees would be given priority when opportunities for promotion or improvement came up during annual employee appointment.

Employee diversity

The Group focused on the diversity of employees, continued to expand our recruitment channels through (campus recruitment, social recruitment, headhunting, internal and external referrals and etc.), paid attention to the diversity of employee structure, including diversity in such aspects as employee education and working background and specialties. The Group would analyze the structure diversity of current employees on a regular basis to provide guidance on the optimization of follow-up recruitment.

Anti-discrimination and anti-harassment

The Group's labour and employment procedures are strictly aligned with national policies, requirements and standards on anti-discrimination and no discrimination against religion, ethnicity, race and gender was found in policies for recruitment and daily employment procedures. The policy for Employee Holiday Management have set explicit regulations concerning statutory holidays which female employees should enjoy according to relating articles of the laws and formulated protection policies for female employees in the Special Provisions of Labor Protection for Female Employees. We also strictly adhered to and observed related institutional norms and ensured the execution was in place in various ways including regular reviews, random checks, feedback, notification, rectification and self-inspection in each subsidiary in daily work.

The Group have also set clear regulations to severely punish different kinds of discrimination and harassment behaviors in violation of the regulations and encouraged employees to report behaviors that were against the regulations or incidents harmful to the Group's interests. Employees may report relating behaviors through various channels at any time. As phone numbers and emails of the Group's management and head of each department were open to employees, employees may report anonymously or in their real names at any time. Human Resources Department would collect employee opinions and suggestions in such ways as making questionnaire among all employees and doing individual interviews to gather relating information from our employees. During this reporting year, the Group has not received any report on discrimination or harassment incidents. The Group would solemnly deal with such reports in accordance with the laws and regulations once any reports were submitted.

HEALTH AND SAFETY

The Group provided our employees a comfortable and safe work environment with well-equipped office hardware and simple but decent atmosphere. The office building was spacious with abundant ancillary resources including a dining room, resting areas and safe, convenient basic household appliances. The Group promoted safety guidance at different conferences, carried out safety fire drills and reminded our employees of paying attention to public safety during holidays. Fire extinguishers, fire escape masks and safety helmets at construction sites have been also placed in prominent locations in the offices to make such devices easily available for employees.

Specific documents for safety regulations have been in place and the Group could conduct regular safety check at construction sites annually to ensure the health and safety of employees at workspace. During the reporting period, the Group managed to comply with all the laws and provisions concerning health and safety.

DEVELOPMENT AND TRAINING

The Group sets up the double channels of "management" + "specialist" for employee career development, encourages individuals to combine their own specialty and habits with the Group's business development and proactively strive for opportunities. In addition, the Group also encourages employees to take internal job rotation and develop across functions. The Group highly emphasizes employees' professional skill improvement, training and learning. It already set up a mature training and learning system including hierarchical and classified training and learning maps, matched with all sorts of training projects. The Group also has diversified resources and patterns to support employees' training and learning, such as, online learning platform, internal training, external training and self-education and so on.

The Group ensures the pertinence and practicability when designing training plans. Every year the Group combines with the need of business development and sets up corresponding learning projects according to different business sections, specialties, titles and levels, job categories so as to make sure employees of various positions can obtain corresponding training and learning opportunities and resources according to their job types. Every year the Group formulates annual training plans according to the need of businesses and employees and regularly reviews them to make proper adjustments in order to ensure learning arrangements conform to the need of business and employee development. For all the internal training projects, we conduct research before training and make evaluation after training, listen to opinions and suggestions of attendants about learning arrangements, meanwhile make relevant arrangement adjustments based on the results and outcomes of training. In the annual training plan, the Group will formulate exclusive internal and external learning plans and opportunities aiming at the present status and business challenges faced by middle and high level management so as to make sure middle and high level management also has rich learning opportunities. The Group's training plan, notices about detailed training programs and coverage after training will be informed to employees timely via a variety of channels.

LABOUR STANDARDS

The labour policies and standards of the Group conform to all sorts of national regulations and rules. Related labour environment, employment duration, working time, rest and vacation and other rules all complied with laws and regulations. Meanwhile, the Group clarified in labour contracts labour protection, labour conditions and occupational hazard protection and also kept employees informed about these items. The Group also complied with the requirements of national and local laws and regulations in aspects of labour handling procedures, procedure completeness and procedures thereof. The Group will keep a sharp eye on the latest status of related governmental laws and regulations and make according adjustment and update about its internal systems and procedures. At the beginning of every year, the Group also conducts analysis and evaluation about present systems and policies and makes optimization and adjustment accordingly.

As for prevention of child labour or forced labour, the Group ensure that applicants have the right to interview and apply for a job voluntarily. Meanwhile, it sets up a strict approval procedure for labour employment. Before employment, all sorts of credentials, files and information should be comprehensive and undergo strict inspection. Employment should also get approval from all levels of management so as to effectively avoid child labour or other nonstandard labour employment. The Group also complies with equal and voluntary labour employment. When signing contracts or agreements with employees, the Group will completely and accurately convey necessary statutory information such as labour working location, time, working salary and so on. Both sides sign labour contract or agreement under the voluntary principle in order to avoid forced labour.

SUPPLY-CHAIN MANAGEMENT

When selecting suppliers, we would inspect their contract performance, honesty and legal compliance, meanwhile incorporate proper appraisal so as to make a comprehensive evaluation. Through contractual agreements, we required that all the suppliers must comply with national and local environmental laws and regulations and we properly evaluated them to make sure they complied with all the environmental and social requirements and fulfilled their environmental and social responsibilities. The Group also supervised supply-chain management.

PRODUCT RESPONSIBILITY

The Group was devoted to maintaining product quality. Every quarter the Group carried out a third-party inspection to make sure the quality of all products met standards. The construction materials that we used were of high quality, which satisfied the relevant requirements in terms of construction and environmental protection on one hand, and promoted environmental-friendly and power-saving construction. Besides, we were also committed to meeting customers' needs and provided relevant after-sale services.

ANTI-CORRUPTION

The Group strictly complied with law requirements and put them into practice. All the employees, directors and high-level management should comply with commercial ethics and honesty. Without the Group's permission, anyone mustn't disclose, announce, or make public the Group's commercial secret or other confidential commercial information. The Group insisted on taking the education of combating corruption and upholding integrity as one basic job, paid attention to beforehand education and prior prevention. Meanwhile, the Group utilized various education methods to establish an upright and incorruptible opinion atmosphere. The Group continuously propagated regulations about uprightness and self-discipline from the central government and reminded employees from time to time. We also prohibited employees to utilize their convenience of power or positions to seek profiteering for themselves or others, required them to stick to their duties, conform to their promises and protect the Group's interests.

The Group frequently and regularly inspects policies about anti-corruption. It requires all the employees to shoulder their responsibilities, be responsible and incorruptible, and teach others by setting a good example and verbal instruction. The Group strengthened the internal management, clarified the disciplines, set up clear rules for punishment and rewards and advocated positive working atmosphere so as to promote employees' sense of self-discipline, honesty and regulated operation and ensure the healthy development of various business of the Group.

We complied with all the laws and regulations about corruption, money laundering and bribery. During the reporting year, there was not any reported or legal case about corruption, bribery and money laundering and so on. The board of directors are also responsible proper for supervising any such case, accepts anonymous reporting about illegal financial behaviors. At the same time, it also provides proper reporting channels.

COMMUNITY INVESTMENT

The community activities the Group got involved included:

"Protecting Xiang River and Environment-friendly Walking" - Employees were organized to walk along the Xiang River and collect residual riverside rubbish.

"Earth Hour" - in response to the Earth Hour campaign advocated by WWF, the Group called all the communities to conduct the activity from 8:30pm to 9:30pm on the last Saturday of March.

"Little Guard of Environmental Protection"- the hope for a green future is placed on children. The Group often organized children in communities to pick up rubbish and plant trees so as to let the green concept root, sprout and grow flourishingly in their young hearts.

Ecological Environmental Protection Public Benefit Activity - such as, taking part in trees planting activity, participating marathon, advocating public interest walking, recycling and auctioning clothes, books, small appliances and other idle items to make them create new value and so on.

Health Maintenance Lecture - in order to advocate more scientific and healthy habits for the aged, the Group organized about one hundred of old fellow owners of four neighborhoods in Changsha to attend our health maintenance lecture Balanced Nutrition and Healthy Life given by Yi Shi, lecturer of Management Institute of Xiamen University and Vice President of the Psychological Association of Fujian Province.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of C&D International Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 67 to 142, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key Audit Matter	How the matter was addressed in our audit
Valuation of inventories of properties Refer to note 21 in the consolidated financial statements. As at 31 December 2016, the Group had properties under development and properties held for sale amounting to RMB776 million and RMB45 million, respectively, which in total represented approximately 30% of the total assets of the Group. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Accordingly the valuation of inventories of properties is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the net realisable value.	Our procedures in relation to management's valuation of inventories of properties included: – comparing to the latest selling prices of the properties; – testing the calculation for the impairment assessment performed by management; – comparing to the latest land auction price of comparable land or valuation of land, for the properties under development that is at the early stage of development; and – assessing the construction costs to be incurred.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditors' 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 DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The directors 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

24 March 2017

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
Revenue	5	**104,103**	133,767
Cost of sales		**(37,798)**	(70,271)
Gross profit		**66,305**	63,496
Other income	7	**24,329**	3,162
Gain on changes in fair value of investment properties	17	**687**	2,600
Administrative expenses		**(26,954)**	(26,551)
Selling expenses		**(18,351)**	(4,752)
Finance costs	8	**(15,534)**	(2,485)
Share of loss of associates	18	**(2,948)**	—
Share of loss of a joint venture	19	**(51)**	—
Profit before income tax	9	**27,483**	35,470
Income tax expense	10	**(11,138)**	(20,057)
Profit for the year		**16,345**	15,413
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**2,281**	4,895
Total comprehensive income for the year		**18,626**	20,308
Profit for the year attributable to:			
Equity holders of the Company		**14,639**	12,668
Non-controlling interests		**1,706**	2,745
		16,345	15,413
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**16,920**	17,563
Non-controlling interests		**1,706**	2,745
		18,626	20,308
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	12	**4.0**	3.9
– Diluted (RMB cents)	12	**4.0**	3.9

The notes on pages 74 to 142 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**70,906**	13,138
Interests in leasehold land	16	**301**	312
Investment properties	17	**682,130**	679,850
Interests in associates	18	**821,928**	20,000
Interest in a joint venture	19	**50,024**	—
Deposits for land acquisition		**64,166**	—
Deferred tax assets	27	**6,904**	3,038
		1,696,359	716,338
Current assets			
Inventories of properties	21	**821,504**	481,919
Trade and other receivables	22	**18,901**	10,296
Cash and cash equivalents	23	**246,429**	71,925
		1,086,834	564,140
Current liabilities			
Trade and other payables	24	**103,192**	66,259
Advances received from the pre-sale of properties under development and properties held for sale		**71,212**	—
Amounts due to non-controlling shareholders	25	**218,872**	60,000
Interest-bearing borrowings	26	**3,236**	3,749
Income tax liabilities		**20,915**	15,032
		417,427	145,040
Net current assets		**669,407**	419,100
Total assets less current liabilities		**2,365,766**	1,135,438
Non-current liabilities			
Loans from intermediate holding companies	25	**1,059,893**	115,507
Deferred tax liabilities	27	**173,620**	170,690
		1,233,513	286,197
Net assets		**1,132,253**	849,241

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Share capital	28	**35,219**	29,135
Reserves	29	**978,023**	728,051
Equity attributable to the equity holders of the Company		**1,013,242**	757,186
Non-controlling interests		**119,011**	92,055
Total equity		**1,132,253**	849,241

SHI Zhen
Director

ZHAO Chengmin
Director

The notes on pages 74 to 142 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
Cash flows from operating activities			
Profit before income tax		**27,483**	35,470
Adjustments for:			
Amortisation of interests in leasehold land		**11**	11
Depreciation of property, plant and equipment		**6,135**	1,204
Gain on changes in fair value of investment properties		**(687)**	(2,600)
Loss on disposal of property, plant and equipment		**86**	76
Provision/(write-off) for impairment of trade receivables, net		**17**	(59)
Interest expense		**15,534**	2,485
Interest income		**(17,406)**	(2,938)
Share of loss of associates		**2,948**	—
Share of loss of a joint venture		**51**	—
Operating profit before working capital changes		**34,172**	33,649
Increase in inventories of properties		**(117,946)**	(377,391)
Increase in trade and other receivables		**(8,342)**	(144)
Increase/(Decrease) in trade and other payables		**30,678**	(9,205)
Increase/(Decrease) in advances received from the pre-sale of properties under development and properties held for sale		**71,212**	(15,621)
Cash generated from/(used in) operations		**9,774**	(368,712)
Income tax paid		**(6,103)**	(13,691)
Net cash from/(used in) operating activities		**3,671**	(382,403)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(63,573)**	(286)
Subsequent expenditure on investment properties		**(1,593)**	—
Placement of structured bank deposits		**(128,000)**	(285,000)
Proceeds from disposal of property, plant and equipment		**110**	93
Payment for investments in associates		**(61,700)**	(20,000)
Increase in loans to associates		**(727,360)**	—
Payment for investment in a joint venture		**(45,573)**	—
Increase in loan to a joint venture		**(4,502)**	—
Acquisition of subsidiaries		**(17,941)**	—
Withdrawal of structured bank deposits		**128,000**	285,000
Decrease/(Increase) in restricted and pledged bank deposits		**402**	(24)
Interest received		**1,590**	2,938
Net cash used in investing activities		**(920,140)**	(17,279)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Proceeds from issuance of share capital		**241,551**	185,815
Share issuance expenses		**(2,415)**	(1,663)
Repayments of borrowings		**(732)**	(67,235)
Addition in loans from intermediate holding companies		**1,082,040**	112,877
Repayment of loans from an intermediate holding company		**(167,451)**	—
Capital contribution from non-controlling shareholders		**13,500**	30,000
(Decrease)/Increase in amounts due to non-controlling shareholders		**(74,672)**	60,000
Dividends paid to non-controlling shareholders		**(999)**	(2,496)
Interest paid		**(109)**	(2,246)
Net cash from financing activities		**1,090,713**	315,052
Net increase/(decrease) in cash and cash equivalents		**174,244**	(84,630)
Cash and cash equivalents as at 1 January		**69,434**	153,442
Effect of foreign exchange rates changes on cash and cash equivalents		**662**	622
Cash and cash equivalents as at 31 December	23	**244,340**	69,434

The notes on pages 74 to 142 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to the equity holders of the Company									
	Share capital RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Exchange reserve* RMB'000	Capital reserve* RMB'000	Revaluation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	24,321	19,607	25,993	(692)	21,102	2,692	462,448	555,471	61,806	617,277
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	—	12,668	12,668	2,745	15,413
Other comprehensive income										
– Currency translation differences	—	—	—	4,895	—	—	—	4,895	—	4,895
Total comprehensive income	—	—	—	4,895	—	—	12,668	17,563	2,745	20,308
Transactions with owners										
Issue of share capital (note 28(a))	4,814	181,001	—	—	—	—	—	185,815	—	185,815
Share issue expenses	—	(1,663)	—	—	—	—	—	(1,663)	—	(1,663)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	30,000	30,000
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(2,496)	(2,496)
Total transactions with owners	4,814	179,338	—	—	—	—	—	184,152	27,504	211,656
Balance at 31 December 2015	29,135	198,945	25,993	4,203	21,102	2,692	475,116	757,186	92,055	849,241

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to the equity holders of the Company									
	Share capital RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Exchange reserve* RMB'000	Capital reserve* RMB'000	Revaluation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	**29,135**	**198,945**	**25,993**	**4,203**	**21,102**	**2,692**	**475,116**	**757,186**	**92,055**	**849,241**
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	14,639	14,639	1,706	16,345
Other comprehensive income										
– Currency translation differences	–	–	–	2,281	–	–	–	2,281	–	2,281
Total comprehensive income	–	–	–	**2,281**	–	–	**14,639**	**16,920**	**1,706**	**18,626**
Transactions with owners										
Issue of share capital (note 28(b))	6,084	235,467	–	–	–	–	–	241,551	–	241,551
Share issue expenses	–	(2,415)	–	–	–	–	–	(2,415)	–	(2,415)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	13,500	13,500
Acquisition of subsidiaries (note 34)	–	–	–	–	–	–	–	–	12,749	12,749
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(999)	(999)
Total transactions with owners	**6,084**	**233,052**	–	–	–	–	–	**239,136**	**25,250**	**264,386**
Balance at 31 December 2016	**35,219**	**431,997**	**25,993**	**6,484**	**21,102**	**2,692**	**489,755**	**1,013,242**	**119,011**	**1,132,253**

*These reserve accounts comprise the Group's reserves of RMB978,023,000 (2015: RMB728,051,000) in the consolidated statement of financial position.

The notes on pages 74 to 142 form part of these consolidated financial statements.

1. GENERAL INFORMATION

C&D International Investment Group Limited (the "Company") was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under Companies Law (Cap 22 of the Cayman Islands). The address of the Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business in Hong Kong is located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The listing of the Company's shares has been transferred to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 May 2014 after their initial listing on the Growth Enterprise Market of the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 20 to the consolidated financial statements.

Well Land International Limited ("Well Land") is the Company's immediate holding company which was incorporated in the British Virgin Islands ("BVI") with limited liability on 27 May 2014, and it is an indirect wholly owned subsidiary of Xiamen C&D Inc., the shares of which were listed in the Shanghai Stock Exchange which is a subsidiary of Xiamen C&D Corporation Limited, the Company's ultimate holding company.

The consolidated financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 24 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 67 to 142 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. The financial statements also comply with the disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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

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

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

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

2.2 Basis of consolidation

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

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

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

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

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

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

2.2 Basis of consolidation *(Continued)*

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

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Associates and joint ventures

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

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 arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

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

2.3 Associates and joint ventures *(Continued)*

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

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

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

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

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

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

2.4 Foreign currency translation

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

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

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

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

2.5 Property, plant and equipment

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

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

Land and buildings	2.5%
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 $^{1}/_{3}$%
Plant and machinery	9 to 20%
Motor vehicles	4 to 20%

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

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

2.5 Property, plant and equipment *(Continued)*

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.6 Interests in leasehold land

Interests in leasehold land represent upfront payments made to acquire land held under an operating lease. They are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.13. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.7 Investment properties

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

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

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

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

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

2.7 Investment properties *(Continued)*

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

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

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

2.8 Financial assets

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

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

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

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

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

Loans and receivables

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

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

2.8 Financial assets *(Continued)*

Impairment of financial assets

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

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

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial re-organisation; and

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

(i) Financial assets carried at amortised cost

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

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

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

2.8 Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Financial assets carried at cost

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

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

2.9 Inventories of properties

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

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

2.10 Cash and cash equivalents

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

2.11 Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.19).

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

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

Interest-bearing borrowings

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

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

Other financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.12 Financial guarantees issued

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

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

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

2.13 Leases

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.7); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 2.5). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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

2.13 Leases *(Continued)*

(ii) Operating lease charges as the lessee

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

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

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

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

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

2.14 Provisions and contingent liabilities

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

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

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

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

2.15 Share capital and share premium

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

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

2.16 Revenue recognition

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

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

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

Building management income, entrusted construction services income and smart construction services income are recognised in the accounting period when the respective services are rendered.

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

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

2.17 Impairment of non-financial assets

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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

2.17 Impairment of non-financial assets *(Continued)*

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

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

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

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

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

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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

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

2.19 Borrowing costs

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

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

2.20 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

2.20 Accounting for income tax *(Continued)*

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

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

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

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.21 Segment reporting

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

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

2.21 Segment reporting *(Continued)*

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

Property development	—	Construction and sales of residential units, commercial shops and car parking spaces;
Commercial assets management	—	Leasing of commercial units, residential units and commercial shops and rendering of building management services;
Entrusted construction services	—	Rendering of management and construction services; and
Smart construction services	—	Rendering of smart construction services

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

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

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

2.22 Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

2.22 Related parties *(Continued)*

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

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

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

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

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

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

(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); or

(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.

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

3. ADOPTION OF NEW AND AMENDED HKFRSS

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2016

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by HKICPA that are relevant to its operations and effective for annual period beginning on or after 1 January 2016. The adoption of the new and amendments to HKFRSs has no material effect on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW AND AMENDED HKFRSS *(Continued)*

Issued but not yet effective HKFRSs

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]

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

2 Effective for annual periods beginning on or after 1 January 2019

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

HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments" introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

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

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables (see note 22) to reflect changes in credit risk since initial recognition.

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

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

3. ADOPTION OF NEW AND AMENDED HKFRSS *(Continued)*

Issued but not yet effective HKFRSs *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

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

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

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance leases and operating leases (Note 31) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

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

4.1 Critical accounting estimates and assumptions *(Continued)*

Fair value measurement of investment properties

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

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

– Level 1: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2: observable inputs other than quoted prices included within Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2016, the fair value of investment properties was RMB682,130,000 (2015: RMB679,850,000). For more detail information in relation to the fair value measurement of the investment properties, please refer to note 17.

Estimated net realisable value of inventories of properties

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

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

As at 31 December 2016, the carrying amount of the inventories of properties was RMB821,504,000 (2015: RMB481,919,000) (note 21).

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

4.1 Critical accounting estimates and assumptions *(Continued)*

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.16. The assessment of when an entity has transferred the significant risks and rewards of ownership to purchasers requires the examination of the circumstances of the transactions. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales is appropriate and is the current practice in the PRC.

Income tax and deferred taxation

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

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

As at 31 December 2016, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB6,904,000 (2015: RMB3,038,000) and RMB173,620,000 (2015: RMB170,690,000), respectively (note 27).

PRC land appreciation tax

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

4.2 Critical judgments in applying the entity's accounting policies

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

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

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

4.2 Critical judgments in applying the entity's accounting policies *(Continued)*

Significant influence over Suzhou Zhaoxiang Real Estate Development Co., Ltd. (蘇州兆祥房地產開發有限公司, "Suzhou Zhaoxiang")

The Group holds 13% ownership interest in Suzhou Zhaoxiang Real Estate Development Co., Ltd. ("Suzhou Zhaoxiang") and it is entitled to appoint a director to the board of directors of that company. The management of the Group concluded that the Group has significant influence over Suzhou Zhaoxiang even though the shareholding is below 20% because of the board representation and contractual terms. As a result, Suzhou Zhaoxiang is classified as an associate of the Company.

5. REVENUE

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

	2016 **RMB'000**	2015 RMB'000
Sales of properties	**11,161**	84,124
Commercial assets management income (note)	**79,391**	49,643
Entrusted construction services income	**5,825**	—
Smart construction services income	**7,726**	—
	104,103	133,767

Note: Commercial assets management income comprises rental income from property leasing of RMB73,392,000 (2015: RMB43,720,000) and building management income of RMB5,163,000 (2015: RMB4,957,000). The Group has contingent rental income of investment properties of approximately RMB1,461,700 (2015: RMB1,855,000) for the year ended 31 December 2016. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

6. SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four business lines as operating segments as further described in note 2.21.

During the year, the operating segments of "property leasing" and "building management services" had been aggregated into one segment named as "commercial assets management". The Group changed the structure of its internal resources allocation and performance assessment in a manner that caused the changes in composition of its reportable segments. The comparative figures of segment disclosure have been restated to conform to current year's presentation. In addition, the businesses of provision of entrusted construction services and smart construction services commenced during the year.

6. SEGMENT INFORMATION *(Continued)*

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

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

Segment revenue and results

	Property development RMB'000	Commercial assets management (restated) RMB'000	Entrusted construction services RMB'000	Smart construction services RMB'000	Total RMB'000
Year ended 31 December 2016					
Reportable segment revenue	**11,161**	**82,316**	**5,825**	**7,726**	**107,028**
Reportable segment profit	**734**	**28,675**	**4,713**	**130**	**34,252**
Other segment information:					
Interest income	**16,597**	**740**	**14**	**2**	**17,353**
Amortisation of interests in leasehold land	**—**	**11**	**—**	**—**	**11**
Gain on changes in fair value of investment properties	**—**	**687**	**—**	**—**	**687**
Share of loss of associates	**2,735**	**—**	**—**	**—**	**2,735**
Income tax expense/(credit)	**(2,359)**	**2,440**	**—**	**—**	**81**
Depreciation of property, plant and equipment	**244**	**5,502**	**—**	**2**	**5,748**
Year ended 31 December 2015					
Reportable segment revenue	84,124	53,244	—	—	137,368
Reportable segment profit	11,811	27,070	—	—	38,881
Other segment information:					
Interest income	975	1,154	—	—	2,129
Amortisation of interests in leasehold land	—	11	—	—	11
Gain on changes in fair value of investment properties	—	2,600	—	—	2,600
Income tax expense	8,099	2,298	—	—	10,397
Depreciation of property, plant and equipment	418	428	—	—	846

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

	Property development RMB'000	Commercial assets management (restated) RMB'000	Entrusted construction services RMB'000	Smart construction services RMB'000	Total RMB'000
As at 31 December 2016					
Reportable segment assets	**1,705,550**	**789,200**	**10,493**	**4,583**	**2,509,826**
Reportable segment liabilities	**(1,331,911)**	**(217,307)**	**(303)**	**(1,759)**	**(1,551,280)**
Other segment information:					
Additions to non-current assets	**1,024**	**62,206**	**—**	**25**	**63,255**
Investments in associates	**782,940**	**—**	**—**	**—**	**782,940**
As at 31 December 2015					
Reportable segment assets	559,090	700,427	—	—	1,259,517
Reportable segment liabilities	(212,122)	(187,615)	—	—	(399,737)
Other segment information:					
Additions to non-current assets	87	106	—	—	193
Investment in an associate	20,000	—	—	—	20,000

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

	2016 RMB'000	2015 RMB'000
Reportable segment revenue	**107,028**	137,368
Inter-segment revenue elimination	**(2,925)**	(3,601)
Consolidated revenue	**104,103**	133,767
Reportable segment profit	**34,252**	38,881
Unallocated income and expenses	**(6,850)**	(13,808)
Unallocated income tax expense	**(11,057)**	(9,660)
Consolidated profit for the year	**16,345**	15,413
Reportable segment assets	**2,509,826**	1,259,517
Unallocated corporate assets	**273,367**	20,961
Total consolidated assets	**2,783,193**	1,280,478
Reportable segment liabilities	**(1,551,280)**	(399,737)
Unallocated taxation liabilities	**(15,212)**	(9,790)
Unallocated withholding tax liabilities	**(14,633)**	(14,633)
Unallocated corporate liabilities	**(69,815)**	(7,077)
Total consolidated liabilities	**(1,650,940)**	(431,237)

Segment assets consist primarily of property, plant and equipment, investment properties, interests in leasehold land, interests in associates, deposits for land acquisition, inventories of properties, trade and other receivables and cash and cash equivalents.

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

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

For the years ended 31 December 2016 and 2015, the Group did not depend on any single customer under each of the segments.

7. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Bank interest income		
– from bank deposits	**1,590**	1,095
– from structured bank deposits	**—**	1,843
Compensation income	**2,664**	—
Interest income on loans to associates	**15,816**	—
Write back of accrued Directors' remuneration	**2,739**	—
Sundry income	**1,520**	224
	24,329	3,162

8. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest charges on:		
Bank borrowings wholly repayable within five years	**109**	141
Bank borrowings not wholly repayable within five years	**—**	2,105
Loans from intermediate holding companies	**29,797**	2,630
Total borrowing costs	**29,906**	4,876
Less: interest capitalised	**(14,372)**	(2,391)
	15,534	2,485

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. The interest charges on bank borrowings which contain a repayment on demand clause amounted to approximately RMB713,000 (2015: RMB141,000) for the year ended 31 December 2016.

The weighted average capitalisation rate of general borrowings was 2.33% (2015: 2.87%) per annum for the year.

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2016 RMB'000	2015 RMB'000
Amortisation of interests in leasehold land	**11**	11
Auditors' remuneration	**718**	568
Cost of properties sold	**4,371**	49,461
Depreciation of property, plant and equipment	**6,135**	1,204
Loss on disposal of property, plant and equipment	**86**	76
Provision for doubtful trade receivables	**86**	69
Net foreign exchange loss	**1,818**	5,010
Operating lease charges	**9,942**	4,012
Outgoings in respect of investment properties that generated rental income	**3,256**	4,490

10. INCOME TAX EXPENSE

	Note	2016 RMB'000	2015 RMB'000
Current income tax			
PRC corporate income tax			
– Current year		**11,053**	11,034
– Under/(Over) provision in respect of prior years		**4**	(1,374)
		11,057	9,660
PRC land appreciation tax		**898**	10,168
		11,955	19,828
Deferred tax	27		
PRC corporate income tax		**(817)**	2,183
PRC land appreciation tax		**—**	(1,954)
		(817)	229
Total income tax expense		**11,138**	20,057

10. INCOME TAX EXPENSE *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
Profit before income tax	**27,483**	35,470
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	**7,438**	10,063
Tax effect of non-deductible expenses	**3,110**	2,691
LAT deductible for calculation of income tax	**(227)**	(590)
LAT charges	**898**	10,168
Under/(Over) provision in respect of prior years	**4**	(1,374)
Others	**(85)**	(901)
Income tax expense	**11,138**	20,057

Notes:

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the year (2015: nil).

(b) PRC corporate income tax

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

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

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

10. INCOME TAX EXPENSE *(Continued)*

Notes: *(Continued)*

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

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

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, Nanning WTS Real Estate Development and Investment Company Limited (南寧威特斯房地產開發投資有限公司) is subject to LAT and the LAT is calculated at 5% to 7% (2015: 5% to 7%) of its sales of properties in accordance with the authorised taxation method.

(d) PRC withholding income tax

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

11. DIVIDEND

Dividend attributable to the year

	2016 **RMB'000**	2015 RMB'000
Proposed final dividend of HK$10 cents per ordinary share (2015: nil)	**38,285**	—

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2016 of approximately RMB14,639,000 (2015: RMB12,668,000), and the weighted average number of ordinary shares of 362,044,000 (2015: 328,274,000) in issue during the year.

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

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 RMB'000	2015 RMB'000
Wages and salaries	**16,961**	12,350
Retirement scheme contributions	**2,065**	2,108
Other benefits	**2,645**	2,031
	21,671	16,489

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

(a) Directors' and chief executive's emoluments

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

	Note	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2016					
Executive directors:					
Mr. Zhuang Yuekai	(i)	**1,030**	**—**	**—**	**1,030**
Mr. Shi Zhen#	(i)	**1,030**	**—**	**—**	**1,030**
Ms. Zhao Chengmin	(i)	**1,030**	**—**	**—**	**1,030**
		3,090	**—**	**—**	**3,090**
Non-executive directors:					
Ms. Wang Xianrong	(vii)	**—**	**—**	**—**	**—**
Ms. Wu Xiaomin	(ii)	**—**	**—**	**—**	**—**
Mr. Huang Wenzhou	(iii)	**—**	**—**	**—**	**—**
Mr. Wong Chi Wai*		**128**	**—**	**—**	**128**
Mr. Wong Tat Yan, Paul*		**128**	**—**	**—**	**128**
Mr. Chan Chun Yee*		**128**	**—**	**—**	**128**
		384	**—**	**—**	**384**
Total emoluments		**3,474**	**—**	**—**	**3,474**

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

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

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

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

* Independent non-executive directors

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

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

Notes:

(i) Appointed on 10 February 2015.

(ii) Appointed on 20 March 2015.

(iii) Appointed on 29 April 2015.

(iv) Resigned on 10 February 2015.

(v) Resigned on 1 April 2015.

(vi) Resigned on 20 March 2015.

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

During the year ended 31 December 2016, the remuneration and emoluments of the executive directors had been waived.

(b) Five highest paid individuals

The five highest paid individuals in the Group include three (2015: four) directors of the Company whose emoluments are included in the disclosures in note 14(a) above.

	2016 **RMB'000**	2015 RMB'000
Salaries and benefits in kind	**1,802**	535
Retirement scheme contributions	**45**	15
	1,847	550

The above emoluments were within following bands:

	No. of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**2**	1

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

(b) Five highest paid individuals *(Continued)*

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the year (2015: nil).

(c) Senior management personnel

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

	No. of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**9**	9
HK$1,000,001 – HK$1,500,000	**3**	3

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015						
Cost	12,871	5,569	4,114	1,091	4,621	28,266
Accumulated depreciation	(2,158)	(4,641)	(3,434)	(783)	(3,474)	(14,490)
Net book amount	10,713	928	680	308	1,147	13,776
Year ended 31 December 2015						
Opening net book amount	10,713	928	680	308	1,147	13,776
Additions	—	—	229	57	—	286
Disposals	—	(21)	(1)	—	(147)	(169)
Depreciation	(338)	(258)	(395)	(38)	(208)	(1,237)
Exchange differences	476	1	5	—	—	482
Closing net book amount	10,851	650	518	327	792	13,138
At 31 December 2015 and 1 January 2016						
Cost	**13,408**	**5,534**	**4,342**	**1,148**	**3,317**	**27,749**
Accumulated depreciation	**(2,557)**	**(4,884)**	**(3,824)**	**(821)**	**(2,525)**	**(14,611)**
Net book amount	**10,851**	**650**	**518**	**327**	**792**	**13,138**
Year ended 31 December 2016						
Opening net book amount	**10,851**	**650**	**518**	**327**	**792**	**13,138**
Additions	**—**	**63,130**	**443**	**—**	**—**	**63,573**
Disposals	**—**	**—**	**(100)**	**(33)**	**(63)**	**(196)**
Depreciation	**(356)**	**(5,618)**	**(111)**	**(81)**	**(182)**	**(6,348)**
Exchange differences	**716**	**16**	**7**	**—**	**—**	**739**
Closing net book amount	**11,211**	**58,178**	**757**	**213**	**547**	**70,906**
At 31 December 2016						
Cost	**13,408**	**68,664**	**4,685**	**1,115**	**3,254**	**91,126**
Accumulated depreciation	**(2,197)**	**(10,486)**	**(3,928)**	**(902)**	**(2,707)**	**(20,220)**
Net book amount	**11,211**	**58,178**	**757**	**213**	**547**	**70,906**

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

The bank borrowings are secured by property, plant and equipment with a net book amount of approximately RMB11,178,000 (2015: RMB10,818,000) as at 31 December 2016 (note 26).

Depreciation charges have been included in:

	2016	2015
	RMB'000	RMB'000
Consolidated statement of financial position		
– Capitalised in inventories of properties	**213**	33
Consolidated statement of comprehensive income		
– Cost of sales	**5,186**	143
– Selling expenses	**30**	24
– Administrative expenses	**919**	1,037
	6,135	1,204
	6,348	1,237

16. INTERESTS IN LEASEHOLD LAND

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

	2016 RMB'000	2015 RMB'000
Opening net carrying amount	**312**	323
Amortisation	**(11)**	(11)
Closing net carrying amount	**301**	312

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

	2016 RMB'000	2015 RMB'000
In PRC:		
Leases of between 10 to 50 years	**301**	312

17. INVESTMENT PROPERTIES

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

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**679,850**	677,250
Change in fair value of investment properties	**687**	2,600
Additions		
– subsequent expenditures	**1,593**	—
Carrying amount at 31 December	**682,130**	679,850

The carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates were approximately RMB2,900,000 (2015: RMB2,800,000). As at 31 December 2015, the Group obtained the building ownership certificates of these properties whereas the application for the land use rights certificates were in progress. The fair values of these properties were estimated assuming the Group had valid land use rights certificates of these properties and all land premium and related fees for the grant of certificates had been fully settled. The land premium and related fees for the grant of certificates were not significant. During the year ended 31 December 2016, the application for the land use rights certificates were still in progress.

17. INVESTMENT PROPERTIES *(Continued)*

The Group had rented out and received rental income from these properties during the years ended 31 December 2016 and 2015. As advised by the Company's PRC legal advisor, the Group had significant risks and rewards of ownership of these properties and was entitled to use and lease these properties notwithstanding the absence of title certificates. Further, subject to the Group complying with applicable PRC laws and regulations, there was no legal impediment for the Group to obtain the title certificates for these properties. As such, the control, significant risks and rewards of ownership of these properties were vested with the Group and the Group had recognised these properties as investment properties.

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

	2016	2015
	RMB'000	RMB'000
In PRC:		
Leases of between 10 to 50 years	**682,130**	679,850

Valuation process and methodologies

Investment properties were valued at 31 December 2016 and 2015 by independent, professional qualified valuers, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who has the relevant experience in the location and category of properties being valued. DTZ have used direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

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

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

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

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

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

	Fair value measurements categorised into			
	Level 1	**Level 2**	**Level 3**	**Fair value**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
At 31 December 2016				
Investment properties	**—**	**—**	**682,130**	**682,130**
At 31 December 2015				
Investment properties	—	—	679,850	679,850

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

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

	Valuation techniques	Significant unobservable inputs	Range As at 31 December 2016	2015
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc (RMB/sq.m.)	**37 - 1,300**	35 - 1,150
		Capitalisation rate of reversionary income	**3.50% - 7.50%**	3.50% - 7.50%

Relationships of unobservable inputs to fair value are as follows:

– The higher the prevailing rents, the higher the fair value.

– The higher the capitalisation rate, the lower the fair value

Gains on changes in fair value of investment properties of RMB687,000 (2015: RMB2,600,000) recognised in profit or loss and presented on the face of the consolidated statement of comprehensive income arise from the investment properties held at the end of the reporting period.

18. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Unlisted shares, at cost	**81,700**	20,000
Share of results of associates	**(2,948)**	—
Loans to associates	**743,176**	—
	821,928	20,000

The loans to associates are unsecured, interest-bearing at 3-year floating lending rate of People's Bank of China (the "PBOC rate") per annum and would not be repayable within one year.

Particulars of the Group's unlisted associates as at 31 December 2016 are as follows:

Name	Form of business structure	Country/place of incorporation	Particulars of issued and paid up capital	% of interest held	Principal activities and place of operation
Fujian Zhaohe Real Estate Company Limited (福建兆和房地產有限公司, "Fujian Zhaohe")*	Corporation	PRC	RMB50,000,000	40%	Property development, PRC (Note (i))
Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司, "Suzhou Zhaoxiang")*	Corporation	PRC	RMB114,940,000	13% (Note 4.2)	Property development, PRC (Note (ii))
Xiamen Jianfa Furniture Company Limited (廈門建發家居有限公司, "Xiamen Jianfa Furniture")*	Corporation	PRC	RMB10,000,000	30%	Sales of furniture, PRC (Note (iii))
Xiamen Jianfa Youkehui Internet Technology Company Limited (廈門建發優客會網路科技有限公司, "Xiamen Jianfa You Ke Hui")*	Corporation	PRC	RMB10,000,000	20%	Provision of internet and information technology services, PRC (Note (iv))
Guangzhou Jian Xin Small Loan Company Limited (廣州建信小貸有限公司, "Guangzhou Jian Xin Small Loan")*	Corporation	PRC	RMB100,000,000	34%	Provision of small loan businesses, PRC (Note (v))

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

18. INTERESTS IN ASSOCIATES *(Continued)*

(i) Fujian Zhaohe was incorporated by the Group and a wholly-owned subsidiary of the Company's intermediate holding company on 1 December 2015 and engaged in property development. The Group has subscribed for 40% of the registered share capital of Fujian Zhaohe for cash consideration of RMB20,000,000.

(ii) On 18 August 2016, the Group entered into a capital increase agreement with Suzhou Zhaokun Real Estate Development Company Limited ("Suzhou Zhaokun") and Xiamen Liyuan Investment Company Limited ("Xiamen Liyuan"), the fellow subsidiaries of the Group, pursuant to which the parties agreed to increase the registered capital of Suzhou Zhaoxiang from RMB100,000,000 to RMB114,940,000. The Group has subscribed for 13% of the registered share capital of Suzhou Zhaoxiang as enlarged by capital increase for cash consideration of RMB517,900,000.

(iii) On 5 April 2016, the Group, Xiamen C&D Inc. and Fujian Province Anya Rose Wood Furniture Company Limited entered into a cooperation agreement for the formation of Xiamen Jianfa Furniture for carrying out the sales of high-end rosewood furniture. The Group has subscribed for 30% of the registered share capital of Xiamen Jianfa Furniture for cash consideration of RMB3,000,000.

(iv) On 1 February 2016, the Group, Xiamen C&D Inc. and three fellow subsidiaries entered into a cooperation agreement for the formation of Xiamen Jianfa You Ke Hui. The Group has subscribed for 20% of the registered share capital of Xiamen Jianfa You Ke Hui for cash consideration of RMB2,000,000.

(v) On 25 October 2016, the Group, C&D Real Estate and Hong Xin Chuang Ye Worksite Investment Group Shares Company Limited entered into an agreement for the formation of Guangzhou Jian Xin Small Loan for carrying out, among others, the provision of small loan business and other approved business in the PRC upon receiving the necessary approvals from the relevant PRC government authorities. The Group has subscribed for 34% of the registered share capital of Guangzhou Jian Xin Small Loan for cash consideration of RMB34,000,000.

The Group's share of results of material associates, Fujian Zhaohe and Suzhou Zhaoxiang, and their assets and liabilities, are as below:

	Fujian Zhaohe		**Suzhou Zhaoxiang**
	2016	2015	**2016**
	RMB'000	RMB'000	**RMB'000**
Non-current assets	**9,291**	11	**20,007**
Current assets	**937,062**	657,113	**4,612,528**
Current liabilities	**(319,318)**	(607,157)	**(1,505,778)**
Non-current liabilities	**(582,602)**	—	**(3,018,996)**
Net assets	**44,433**	49,967	**107,761**
Revenue	**—**	—	**—**
Loss and total comprehensive expense for the period	**(5,534)**	(33)	**(5,439)**

18. INTERESTS IN ASSOCIATES *(Continued)*

A reconciliation of the above summarised financial information to the carrying amount of each of the investments in material associates is set out below:

	Fujian Zhaohe		Suzhou Zhaoxiang
	2016	2015	**2016**
	RMB'000	RMB'000	**RMB'000**
Total net assets of the associate	**44,433**	49,967	**107,761**
Portion of ownership interests held by Group	**40%**	40%	**13%**
Group's aggregate share of net assets of the associate	**17,773**	19,987	**14,009**
Goodwill	**—**	—	**7,984**
Share of (profit)/loss not taken up by the Group during the period	**(2)**	13	**—**
Carrying amount of the investment in an associate in the consolidated financial statements	**17,771**	20,000	**21,993**

Aggregate information of associates that are not individually material:

	2016	2015
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**38,988**	—
Aggregate amounts of the Group's share of those associates': Loss and total comprehensive expense for the period	**(12)**	—

19. INTEREST IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Cost of investments in a joint venture	45,573	—
Share of results of a joint venture	(51)	—
Loan to a joint venture	4,502	—
	50,024	—

The loan to a joint venture is unsecured, interest-free and would not be repayable within one year.

Particulars of the Group's unlisted joint venture as at 31 December 2016 are as follows:

Name	Form of business structure	Country/place of incorporation	Particulars of issued and paid up capital	% of interest held	Principal activities and place of operation
J-Bridge Investment Co., Ltd. ("J-Bridge")	Company	BVI	USD25,000	50%	Investment holding

During the year ended 31 December 2016, the Group entered into a share subscription agreement with J-Bridge Investment Co., Ltd. ("J-Bridge") to subscribe for 50% of its share capital for cash consideration of USD6,532,125.

The Group's share of results of J-Bridge, and its assets and liabilities, are as below:

	2016 RMB'000
Non-current assets	99,782
Current assets	5,541
Current liabilities	(14,090)
Net assets	91,233
Included in the above assets and liabilities:	
Cash and cash equivalents	5,541
Current financial liabilities (excluding trade and other payables and provisions)	8,635
Revenue	—
Loss and total comprehensive expense for the period	(87)

19. INTEREST IN A JOINT VENTURE *(Continued)*

A reconciliation of the above summarised financial information to the carrying amount of the investment in J-Bridge is set out below:

	2016 RMB'000
Total net assets of the joint venture	**91,233**
Portion of ownership interests held by the Group	**50%**
Group's aggregate share of net assets of the joint venture	**45,617**
Share of profit not taken up by the Group during the period	**(95)**
Carrying amount of the investment in the joint venture in the consolidated financial statements	**45,522**

20. SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2016, were as follows:

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
Interests held directly					
Global Touch Holdings Limited	Corporation	BVI 8 November 2010	10,000 ordinary shares of US$1.00 each	100% (2015: 100%)	Investment holding, Hong Kong
Interests held indirectly					
Leepark Holdings Limited	Corporation	Hong Kong 5 June 2006	Ordinary shares of HK$1,000,000	100% (2015: 100%)	Investment holding, Hong Kong
New Merit Holdings Limited	Corporation	BVI 25 November 2009	Ordinary shares of US$1.00 each	100% (2015: 100%)	Investment holding, Hong Kong
Ruby Properties Limited	Corporation	Hong Kong 19 October 2009	Ordinary shares of HK$200	100% (2015: 100%)	Investment holding, Hong Kong
Leepark (Netherlands) Limited	Corporation	Hong Kong 27 May 2006	Ordinary shares of HK$10,000	100% (2015: 100%)	Investment holding, Hong Kong
Guangxi Nanning Leepark Business Service Company Limited (廣西南寧利柏商務服務有限公司) *	Corporation	PRC 29 September 2003	RMB800,000	100% (2015: 100%)	Investment holding, PRC

20. SUBSIDIARIES *(Continued)*

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
Guangxi Nanning Baiyi Commercial Company Limited (廣西南寧百益商貿有限公司, "Nanning Bai Yi") *	Corporation	PRC 9 September 1997	RMB23,408,000	87.52% (2015: 87.52%)	Property leasing and property development, PRC
Interests held indirectly					
Nanning Golden Yu Feng Property Services Company Limited (南寧金裕豐物業服務有限公司) *	Corporation	PRC 4 August 2003	RMB3,000,000	98.77% (2015: 98.77%)	Property management, property consultancy and property leasing, PRC
Nanning Yu Feng Real Estate Development Company Limited (南寧裕豐房地產開發有限公司) *	Corporation	PRC 27 July 1993	RMB33,544,000	93.84% (2015: 93.84%)	Property leasing, PRC
WTS Real Estate Development and Investment Company (南寧威特斯房地產開發投資有限公司) *	Corporation	PRC 3 August 2001	RMB10,000,000	93.84% (2015: 93.84%)	Property development, PRC
Xiamen Yiyue Property Co., Ltd. (廈門益悅置業有限公司) *	Corporation	PRC 18 May 2016	RMB10,000,000	100% (2015: 100%)	Property investment and development business, PRC
Xiamen Zhaocheng Engineering Construction and Management Co. Ltd. (廈門兆誠工程建設管理有限公司) *	Corporation	PRC 11 November 2015	RMB5,000,000	100% (2015: 100%)	Project construction and management, PRC
Changsha Zhaoyue Real Estate Co., Ltd. (長沙兆悅房地產有限公司) *	Corporation	PRC 7 September 2015	RMB50,000,000	100% (2015: 100%)	Property development, PRC
Shanghai Zhaoyu Asset Management Co., Ltd. (上海兆昱資產管理有限公司, "Shanghai Zhaoyu") *	Corporation	PRC 17 December 2015	RMB30,000,000	55% (2015: 55%)	Commercial assets management and operation, PRC
Shanghai Zhaoxiang Business Management Co., Ltd. (上海兆祥商業經營管理有限公司) *	Corporation	PRC 14 October 2014	RMB1,000,000	55% (2015: Nil)	Property leasing
Shanghai Zhaoyi Corporate Management Co., Ltd. (上海兆屹企業管理有限公司, "Shanghai Zhaoyi") *	Corporation	PRC 24 August 2016	RMB1,000,000	46.75%# (2015: Nil)	Property leasing

20. SUBSIDIARIES *(Continued)*

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
Xiamen Zhaohui Internet Technology Co. Ltd. (廈門兆慧網絡科技有限公司) *	Corporation	PRC 7 September 2015	RMB500,000	100% (2015: 100%)	Provision for software and system development services, PRC
Quanzhou Zhaoyue Property Co., Ltd. (泉州兆悅置業有限公司, "Quanzhou Zhaoyue") *	Corporation	PRC 4 November 2015	RMB50,000,000	40% (Note 4.2) (2015: 40%)	Property development, PRC
Fujian Zhaojia Real Estate Co., Ltd. (福建兆嘉房地產有限公司) *	Corporation	PRC 11 August 2006	RMB10,000,000	60% (2015: Nil)	Property development, PRC
Zhangzhou Fanhua Industrial Co., Ltd. (漳州泛華實業有限公司) *	Corporation	PRC 12 March 2015	RMB19,972,188	60% (2015: Nil)	Property development, PRC

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

\# Shanghai Zhaoyi is owned as to 85% by Shanghai Zhaoyu, a 55% owned subsidiary of the Group. The Group can exercise control over Shanghai Zhaoyi via its control over Shanghai Zhaoyu.

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.

20. SUBSIDIARIES *(Continued)*

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

	Nanning Bai Yi		Quanzhou Zhaoyue		Shanghai Zhaoyu
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**
Non-controlling interests percentage	**12.48%**	12.48%	**60%**	60%	**45%**
Non-current assets	**497,702**	493,029	**52**	—	**56,646**
Current assets	**139,211**	130,493	**174,622**	160,069	**20,417**
Current liabilities	**(68,759)**	(62,173)	**(124,567)**	(110,069)	**(50,521)**
Non-current liabilities	**(105,463)**	(103,719)	**—**	—	**—**
Net assets	**462,691**	457,630	**50,107**	50,000	**26,542**
Carrying amount of non-controlling interests	**57,744**	57,112	**30,064**	30,000	**11,944**
Revenue	**26,220**	90,349	**—**	—	**6,161**
Profit/(loss) for the year/period	**12,164**	17,430	**105**	2	**(3,458)**
Total comprehensive income for the year/period	**12,164**	17,430	**105**	2	**(3,458)**
Profit/(loss) and total comprehensive income/(expense) attributable to non-controlling interests	**1,518**	2,175	**63**	1	**(1,556)**
Dividends paid to non-controlling shareholders	**999**	2,496	**—**	—	**—**
Cash flows (used in)/from operating activities	**(21,778)**	32,214	**(11,675)**	(79,193)	**19,867**
Cash flows from/(used in) investing activities	**45,397**	(32,350)	**(52)**	18	**(61,810)**
Cash flows (used in)/from financing activities	**(8,064)**	(88,587)	**8,611**	90,000	**54,420**
Net cash inflows/(outflows)	**15,555**	(88,723)	**(3,116)**	10,825	**12,477**

21. INVENTORIES OF PROPERTIES

	2016 RMB'000	2015 RMB'000
Properties under development	**776,013**	429,276
Properties held for sale	**45,491**	52,643
	821,504	481,919
Properties under development include:		
– cost of leasehold land	**478,622**	419,700
– construction costs and capitalised expenditure	**280,628**	7,185
– interests capitalised	**16,763**	2,391
	776,013	429,276

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

As at 31 December 2016, properties under development amounted to approximately RMB576,413,000 (2015: nil) were expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

22. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables		
From third parties	**8,094**	1,728
Less: Accumulated impairment loss	**(86)**	(69)
	8,008	1,659
Other receivables		
Deposits	**5,552**	6,127
Prepayment	**1,963**	685
Other receivables	**3,378**	1,825
	10,893	8,637
	18,901	10,296

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

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

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
0-30 days	**7,906**	1,370
31-90 days	**—**	88
91-180 days	**9**	23
181-365 days	**23**	21
Over 1 year	**70**	157
	8,008	1,659

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

	2016 **RMB'000**	2015 RMB'000
At 1 January	**69**	128
Provision for impairment	**86**	69
Amount written off as uncollectible	**(69)**	(128)
At 31 December	**86**	69

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2016, the Group has determined trade receivables of approximately RMB86,000 (2015: RMB69,000) as individually impaired. The impaired trade receivables are due from customers who have defaulted in the scheduled payments after due dates and the Group performed an assessment and concluded the chance of recovering the account receivables is low such that full impairment had been recognised in respect of these receivables.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**7,886**	1,258
1-90 days past due	**20**	200
91-180 days past due	**9**	23
181-360 days past due	**23**	21
Over 360 days past due	**70**	157
	8,008	1,659

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

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

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

23. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at bank and in hand	**246,429**	52,925
Structured bank deposits	**—**	19,000
Bank balances and cash per the consolidated statement of financial position	**246,429**	71,925
Less: Restricted bank deposits	**(2,089)**	(2,491)
Cash and cash equivalents per the consolidated statement of cash flows	**244,340**	69,434

Included in bank and cash balances of the Group is RMB94,483,000 (2015: RMB62,138,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The structured bank deposits as at 31 December 2016 are principal-protected yield enhancement bank deposits which carrying effective interest rates ranging from 2.1% to 3.2% per annum with original maturity less than 90 days depending on the immediate cash requirements of the Group.

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

24. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables		
To third parties	**34,826**	15,440
Other payables		
Accruals and other payables	**31,045**	14,188
Deposits received	**21,103**	29,155
Receipts in advance	**16,218**	7,476
	68,366	50,819
	103,192	66,259

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

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

	2016 RMB'000	2015 RMB'000
0-30 days	**27,667**	3,725
61-90 days	**—**	110
Over 90 days	**7,159**	11,605
	34,826	15,440

25. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS/LOANS FROM INTERMEDIATE HOLDING COMPANIES

As at 31 December 2016 and 2015, the amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

As at 31 December 2016 and 2015, the loans from intermediate holding companies are unsecured, interest-bearing at 3-year floating lending rate of the PBOC rate per annum and would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

26. INTEREST-BEARING BORROWINGS

	2016	2015
	RMB'000	RMB'000
Bank loans, secured	**3,236**	3,749

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

	2016	2015
	RMB'000	RMB'000
Current		
Portion of bank loans due for repayment within one year	**864**	718
Portion of bank loans due for repayment after one year which contain repayment on demand clause	**2,372**	3,031
	3,236	3,749

The Group's bank loans are repayable as follows:

	2016	2015
	RMB'000	RMB'000
Within one year or on demand	**3,236**	3,749

As at 31 December 2016 and 2015, the Group's bank loan is secured by the legal charges over the Group's property, plant and equipment with carrying value of approximately RMB11,178,000 (2015: RMB10,818,000) (note 15).

As at 31 December 2016 and 2015, the bank loan of approximately RMB3,236,000 (2015: RMB3,749,000) was denominated in HK$ which bore a floating interest rate of 3.4% (2015: 3.5%) per annum.

27. DEFERRED TAXATION

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

	2016 **RMB'000**	2015 RMB'000
At the beginning of the year	**167,652**	167,398
Recognised in profit or loss	**(817)**	229
Acquisition of subsidiaries (note 34)	**(151)**	—
Exchange differences	**32**	25
At the end of the year	**166,716**	167,652

Deferred tax liabilities

	Revaluation of inventories of properties RMB'000	**Revaluation of investment properties RMB'000**	**Withholding tax RMB'000**	**Total RMB'000**
At 1 January 2015	665	151,457	14,633	166,755
Charged/(Credited) to profit or loss	(299)	4,209	—	3,910
Exchange differences	—	25	—	25
At 31 December 2015 and 1 January 2016	366	155,691	14,633	170,690
Charged to profit or loss	315	2,583	—	2,898
Exchange differences	—	32	—	32
At 31 December 2016	**681**	**158,306**	**14,633**	**173,620**

Deferred tax assets

	LAT RMB'000	**Others RMB'000**	**Total RMB'000**
At 1 January 2015	643	—	643
Credited to profit or loss	(1,954)	(1,727)	(3,681)
At 31 December 2015 and 1 January 2016	(1,311)	(1,727)	(3,038)
Credited to profit or loss	—	(3,715)	(3,715)
Acquisition of subsidiaries	—	(151)	(151)
At 31 December 2016	**(1,311)**	**(5,593)**	**(6,904)**

27. DEFERRED TAXATION *(Continued)*

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

	2016	2015
	RMB'000	RMB'000
Deferred tax assets	**(6,904)**	(3,038)
Deferred tax liabilities	**173,620**	170,690
	166,716	167,652

As at 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on certain of the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised was RMB30,239,000 as at 31 December 2016 (2015: RMB31,558,000).

28. SHARE CAPITAL

	Number of shares	**Amount**
		RMB'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 31 December 2015 and 2016	**1,000,000,000**	81,055
Issued and fully paid:		
At 31 January 2015	**300,000,000**	24,321
Issue of new shares (note a)	**60,000,000**	4,814
At 31 December 2015 and 1 January 2016	**360,000,000**	29,135
Issue of new shares (note b)	**68,000,000**	6,084
At 31 December 2016	**428,000,000**	35,219

Note:

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

b) On 4 December 2016, the Company completed the placing of 68,000,000 ordinary shares of HK$0.1 each at a placing price of HK$3.97 per share under general mandate, giving rise to an increase of share premium of approximately RMB235,467,000. Share issuance expenses directly attributable to the issue of new shares amounting to RMB2,415,000 was treated as a deduction against the share premium account.

29. RESERVES

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

Share premium

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

Statutory reserve

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

Exchange reserve

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

Capital reserve

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

Revaluation reserve

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

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2016 RMB'000	31 December 2015 RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	**742,219**	695,165
Current assets		
Prepayments	**167**	198
Amounts due from subsidiaries	**161,854**	30,284
Cash and cash equivalents	**151,440**	8,623
	313,461	39,105
Current liabilities		
Accruals and other payables	**624**	3,279
Net current assets	**312,837**	35,826
Total assets less current liabilities	**1,055,056**	730,991
Non-current liabilities		
Loan from intermediate holding company	**50,557**	—
Net assets	**1,004,499**	730,991
EQUITY		
Share capital	**35,219**	29,135
Other reserves (note)	**969,280**	701,856
Total equity	**1,004,499**	730,991

SHI Zhen
Director

ZHAO Chengmin
Director

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

Note:

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

	Share premium RMB'000	Capital reserve (Note (a)) RMB'000	Exchange reserve RMB'000	Proposed final dividend RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	19,607	490,259	(6,417)	—	1,577	505,026
Loss and total comprehensive expense for the year	—	—	—	—	(14,312)	(14,312)
Currency translation differences	—	—	31,804	—	—	31,804
Share issue expenses	(1,663)	—	—	—	—	(1,663)
Issue of new shares (note 28(a))	181,001	—	—	—	—	181,001
At 31 December 2015 and 1 January 2016	198,945	490,259	25,387	—	(12,735)	701,856
Loss and total comprehensive expense for the year	—	—	—	—	(14,902)	(14,902)
Currency translation differences	—	—	49,274	—	—	49,274
Share issue expenses	(2,415)	—	—	—	—	(2,415)
Issue of new shares (note 28(b))	235,467	—	—	—	—	235,467
At 31 December 2016	**431,997**	**490,259**	**74,661**	**—**	**(27,637)**	**969,280**

Note:

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

31. OPERATING LEASE ARRANGEMENTS

a. As lessor

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

	2016 RMB'000	2015 RMB'000
Within one year	**41,533**	37,527
After one year but within five years	**69,045**	55,745
After five years	**24,967**	28,333
	135,545	121,605

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to ten years (2015: one to ten years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

b. As lessee

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

	2016 RMB'000	2015 RMB'000
Within one year	**4,195**	4,195
After one year but within five years	**17,535**	16,526
After five years	**18,851**	22,037
	40,581	42,758

The Group leases properties under operating leases. The leases run for an initial period of one to twenty years (2015: one to twenty years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases includes contingent rental.

32. CAPITAL COMMITMENTS

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

	2016 **RMB'000**	2015 RMB'000
Contracted but not provided for		
– leasehold improvements	**—**	248
– properties under development	**169,028**	172,020

33. FINANCIAL GUARANTEE CONTRACTS

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

	2016 **RMB'000**	2015 RMB'000
Guarantees given to banks and financial institutions for mortgage facilities granted to purchasers of the Group's properties	**48,608**	133,846

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

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

34. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2016, the Group acquired controlling equity interests of several subsidiaries at a total consideration of approximately RMB74,793,000 (2015: nil). These companies did not operate any business prior to the acquisitions and only had prepayments for proposed development projects and deposits for land acquisition. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognized as adjustments to the carrying value of the prepayments for proposed development projects and deposits for land acquisition.

The considerations of all these transactions were based on the fair value of the assets acquired.

35. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
Intermediate holding companies:			
C&D Real Estate (note a)	Interest expenses on loan from intermediate holding company	**29,193**	2,630
Well Honour (note a)	Interest expenses on loan from intermediate holding company	**604**	—
Associates:			
Fujian Zhaohe (note b)	Interest income on loans to associates	**13,821**	—
Suzhou Zhaoxiang (note b)	Interest income on loans to associates	**1,995**	—
Fellow subsidiaries:			
Xiamen Heshan Construction and Development Limited ("Heshan Construction") (note c)	Construction management fee received	**4,224**	—
Shanxidi Real Estate Development Company Limited Company ("Shanghai Shanxidi") (note d)	Rental expenses	**2,152**	—
Shanghai Zhongyue Real Estate Development Company Limited ("Shanghai Zhongyue") (note d)	Rental expenses	**1,769**	—

Note

a) During the year ended 31 December 2016, the Group incurred loan interest of RMB29,193,000 (2015: RMB2,630,000) and RMB604,000 (2015: nil) to C&D Real Estate and Well Honour, the intermediate holding companies pursuant to framework loan agreement with C&D Real Estate whereby C&D Real Estate agreed to grant RMB loan facilities to certain subsidiaries of the Company for their project development at the benchmark lending interest rate promulgated by the People's Bank of China ("PBOC") (note 25).

b) During the year ended 31 December 2016, the Group earned interest income of RMB13,821,000 and RMB1,995,000 from Fujian Zhaohe and Suzhou Zhaoxiang respectively by granting loans for their operations at the benchmark lending interest rate promulgated by PBOC.

c) During the year ended 31 December 2016, the Group signed entrusted construction agreements with Heshan Construction and earned construction fee income by providing services ranging from design, construction and completion to delivery throughout the project construction process.

d) During the year ended 31 December 2016, the Group entered into lease agreements with Shanghai Zhongyue and Shanghai Shanxidi and rented properties for a term of five years.

35. RELATED PARTY TRANSACTIONS *(Continued)*

Key management personnel remuneration

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

	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	**3,463**	3,481
Retirement benefit scheme contributions	**—**	15
	3,463	3,496

36. FINANCIAL RISK MANAGEMENT

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

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

36.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities. See note 2.8 and 2.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables:		
Trade and other receivables	**11,386**	3,484
Cash and cash equivalents	**246,429**	71,925
Loans to associates	**743,176**	—
Loan to a joint venture	**4,502**	—
	1,005,493	75,409
Financial liabilities		
Amortised cost:		
Trade and other payables	**65,871**	29,628
Amounts due to non-controlling shareholders	**218,872**	60,000
Loans from intermediate holding companies	**1,059,893**	115,507
Interest-bearing borrowings	**3,236**	3,749
	1,347,872	208,884

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.2 Foreign currency risk

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

36.3 Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans from intermediate holding companies and bank loans with floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 25 and 26 to the consolidated financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax and retained profits by approximately RMB4,084,000. At 31 December 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after income tax and retained profits by approximately RMB237,000. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

36.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 33.

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

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

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

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

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.5 Liquidity risk

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

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

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2016 and 2015. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, interest-bearing borrowings subject to a repayment on demand clause which can be exercised at the bank's sole direction, are included in the "on demand" time band as the lenders have unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.5 Liquidity risk *(Continued)*

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

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Over 5 years RMB'000	Total contractual amount RMB'000	Carrying amount RMB'000
As at 31 December 2016						
Trade and other payables	**65,871**	**—**	**—**	**—**	**65,871**	**65,871**
Amounts due to non-controlling shareholders	**218,872**	**—**	**—**	**—**	**218,872**	**218,872**
Loans from intermediate holding companies	**50,345**	**50,345**	**1,110,239**	**—**	**1,210,929**	**1,059,893**
Other interest-bearing borrowings (note)	**3,236**	**—**	**—**	**—**	**3,236**	**3,236**
	338,324	**50,345**	**1,110,239**	**—**	**1,498,908**	**1,347,872**
Financial guarantees issued						
Maximum amount guaranteed	48,608	—	—	—	48,608	—
As at 31 December 2015						
Trade and other payables	29,628	—	—	—	29,628	29,628
Amounts due to non-controlling shareholders	60,000	—	—	—	60,000	60,000
Loan from intermediate holding company	5,362	5,362	118,239	—	128,963	115,507
Other interest-bearing borrowings (note)	3,749	—	—	—	3,749	3,749
	98,739	5,362	118,239	—	222,340	208,884
Financial guarantees issued						
Maximum amount guaranteed	133,846	—	—	—	133,846	—

Note:

Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to RMB3,236,000 (2015: RMB3,749,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within four years (2015: five years) after the reporting date in accordance with the scheduled repayment date set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB3,442,000 (2015: RMB4,048,000).

37. CAPITAL MANAGEMENT

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

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

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

	2016 **RMB'000**	2015 RMB'000
Interest-bearing borrowings	**3,236**	3,749
Loans from intermediate holding companies	**1,059,893**	115,507
	1,063,129	119,256
Less: Cash and cash equivalents	**(246,429)**	(71,925)
Net debt	**816,700**	47,331
Total equity	**1,132,253**	849,241
Net debt to equity ratio	**72.1%**	5.6%

38. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2016:

(i) As disclosed in the announcement and circular dated 5 January 2017 and 25 February 2017 respectively, the Group entered into the second capital increase agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which the parties agreed that the registered capital of the Suzhou Zhaoxiang will be further increased from RMB114,940,000 to RMB200,000,000. The Group has agreed to contribute an aggregate amount of RMB1,449,910,000 in cash.

(ii) As disclosed in the announcement and circular dated 5 January 2017 and 25 February 2017 respectively, the Group entered into share transfer agreements to acquire 60% equity interests in Fujian Zhaohe with Fujian Zhao Run Property Company Limited ("Zhao Run") and Licheng Enterprise Management Company Limited ("Licheng"), companies established in the PRC with limited liability and the indirect subsidiaries of C&D Real Estate. The total consideration under the share transfer agreements was RMB43,340,000 in cash. The Group shall also repay the shareholder's loan in the amount of RMB404,070,000 previously made by Zhao Run and Licheng to Fujian Zhaohe according to the proportion of equity interests acquired by Yi Yue.

(iii) The Group has issued a perpetual convertible bond in an aggregate principal amount of HK$500,000,000 to Well Land under the subscription agreement which was completed on 1 March 2017. The perpetual convertible bond is convertible into 108,695,652 conversion shares at the initial conversion price of HK$4.6 per conversion share, subject to customary adjustments.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000
			(Restated)	(Restated)	(Restated)
Revenue	**104,103**	133,767	272,771	303,297	333,555
Gross profit	**66,305**	63,496	65,047	109,636	123,248
Profit before income tax	**27,483**	35,470	46,716	94,429	123,804
Profit for the year	**16,345**	15,413	29,391	54,875	71,969
Profit for the year attributable to the equity owners of the Company	**14,639**	12,668	24,896	50,288	64,529

ASSETS, LIABILITIES AND EQUITY

	2016	2015	2014	2013	2012
	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000
			(Restated)	(Restated)	(Restated)
Non-current assets	**1,696,359**	716,338	691,349	676,976	646,629
Current assets	**1,086,834**	564,140	270,179	296,034	371,968
Non-current liabilities	**1,233,513**	286,197	226,901	189,057	181,383
Current liabilities	**417,427**	145,040	117,350	193,149	289,735
Net current assets	**669,407**	419,100	152,829	102,885	82,233
Total equity	**1,132,253**	849,241	617,277	590,804	547,477

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2016

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

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2016 *(Continued)*

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

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2016 *(Continued)*

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

Note:

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

PROPERTIES CONTRACTED TO BE HELD FOR INVESTMENT AS AT 31 DECEMBER 2016

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

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

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2016

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

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2014)648323 issued by People's Government of Nanning dated 19 December 2014, the land use rights of the property with a total site area of 65,964.88 sq.m. have been granted to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) for urban composite residential use, which are due to expire on 25 March 2074.

(2) According to the State-owned Land Use Rights Certificate Nos. (2011)584349 and (2011)584350 issued by People's Government of Nanning both dated 19 December 2011, the land use rights of the property with a total site area of 9,074.37 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for urban residential and commercial uses starting from 10 November 2011.

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2016

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
1. QUANZHOU. CENTRAL SKYLINE	CENTRAL SKYLINE Wanan Road, Wanfu Community, Luojiang District, Quanzhou, Fujian Province, the PRC	Residential, retail and carparks	preliminary	22,174 (note 1)	62,087	Late 2018	40
2. CHANGSHA. Zhongyang Yuefu, (formerly known as JOYFUL TOWN)	Joyful Town Project, No. 180 Laodong Road East, Yuhua District, Changsha, Hunan Province, the PRC	Residential, retail and carparks	preliminary	25,642 (note 2)	100,260	Late 2017	100
3. Zhangzhou • Bihushuangx	The west of Hubin Road and north of Xiaguang Road and east of Bizhou Road, Longwen District, Zhangzhou, Fujian Province, the PRC	Residential and car parks	preliminary	44,828.15 (note 3)	191,955.32	Late 2018	40
4. Suzhou • Dushuwan	No. 3666, Dongfang Road, Wuzhong District, Suzhou, Jiangsu Province, the PRC	Residential, retails and carparks	preliminary	224,623.6 (note 4)	336,935.4	Late 2020	13

Notes:

(1) According to the State-owned Land Use Rights Certificate洛國用(2015)NO.42 issued by people's Government of Quanzhou luojiangqu dated 31 December 2015, the land use right of the property with a total site area of 44,825.15 sq.m. have been granted to 泉州兆悦置業有限公司 (Quanzhou Zhaoyue Properties Limited) for urban composite residential use, which are due to expire on 9 November 2085.

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

(3) According to the State-owned Land Use Rights Certificate漳龍國用(2016)NO.00983 issued by people's Government of Zhangzhou dated 23 March 2016, the land use right of the property with a total site area of 44,828.15 sq.m. have been granted to 福建兆和房地產有限公司 (Fujian Zhaohe Real Estate Company Limited) for urban, residential and retail use, which are due to expire on 4 January, 2086.

(4) According to the State-owned Land Use Rights Certificate蘇(2016)NO.6008623 (Fixed Asset) issued by Suzhou Municipal Bureau of National Land and Resources dated 1 April 2016, the land use right of the property with a total site area of 224,623.6 sq.m. have been granted to 蘇州兆祥房地產開發有限公司 (Suzhou Zhaoxiang Real Estate Development CompanyLimited) for urban and composite use, which are due to expire on 15 November, 2085.