建業地產股份有限公司
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 0832.HK
www.centralchina.com

2016 Annual Report

根植中原造福百姓

From the land of Henan,
for the people of China.

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing (appointed on 24 March 2017)
Ms. Yan Yingchun

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice-chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Mr. Muk Kin Yau

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun *(Chairman)*
Mr. Xin Luo Lin
Mr. Lucas Ignatius Loh Jen Yuh

Remuneration Committee

Mr. Xin Luo Lin *(Chairman)*
Mr. Wu Po Sum
Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum *(Chairman)*
Mr. Cheung Shek Lun
Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Chen Jianye (resigned on 24 March 2017)
Mr. Yuan Xujun (appointed on 24 March 2017)

COMPANY SECRETARY

Mr. Kwok Pak Shing

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block E, Jianye Office Building
Nongye East Road, Zhengzhou City
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B-7702A
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East,
Wanchai, Hong Kong

Corporate Information (Continued)

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS
As to Hong Kong Law
Li & Partners

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

INDEPENDENT AUDITORS
KPMG
Certified Public Accountants

WEBSITE OF THE COMPANY
www.centralchina.com

SHAREHOLDERS' INFORMATION
Share listing
The company's shares are listed on the Main Board of The Stock Exchange of Hong Kong limited

Ordinary Shares (as at 31 December 2016)
Shares outstanding	:	2,442,270,760 shares
Nominal value	:	HK$0.10 per share

INVESTOR RELATIONS CONTACT
Email address : ir@centralchina.com

HEAD OF INVESTOR RELATIONS & CHIEF INVESTMENT OFFICER
Mr. Mai Vinh

FINANCIAL CALENDAR
2016 annual results announcement	:	24 March 2017
Book closure period (for determining shareholders' eligibility to attend and vote at the annual general meeting (the "2017 AGM"))	:	17 May 2017 to 19 May 2017 (both days inclusive)
2017 AGM	:	19 May 2017

CORPORATE PROFILE

Zhengzhou Triumph Plaza

Corporate Profile

Central China Real Estate Limited (hereinafter referred to as "CCRE" or the "Company", together with its subsidiaries hereinafter referred to as the "Group") was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the "First Class Honor of Real Estate Developer" in the People's Republic of China (the "PRC" or "China").

The Company has been committed to the development of branded properties as its principal activity since its establishment. Over 24 years, we have continued to guide residents to new exposures in lifestyle through our articulately crafted architectural masterpieces in honour of our core value of "Taking Root in Central China and Contributing to Society." The Company is of the view that enterprises relate to society in the same way as trees relate to the earth. When we establish our presence in a city, we cooperate with our local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting the economic and social growth in Henan Province have won the accolades of government authorities, professionals, peers, investors, customers and our employees.

The Company positions itself as a facilitator of urbanisation and all-round social progress for Henan Province. Having taken root in Henan Province for 24 years, we are resolute as ever in our vision and mission of "building quality houses for the people of Henan". With the development of housing complexes such as "Forest Peninsula", "U-Town", "Code One City", "Sweet-Scented Osmanthus Garden", "Jianye Eighteen Cities" and "New Asia", we have improved the standard of residential housing in various cities in the Henan Province. In addition, the launch of light-asset model of the Company has secured synergetic effect with its property development business, making important contributions to the urbanisation process of the province.

Meanwhile, the Company endeavours to construct a "tailor-made" mega service regime by integrating internal and external resources, such as property, hotel, commerce, green house and other services, with a view to activating the "New Blue Ocean Strategy" and transforming the Company from an urban complex developer to a new lifestyle services provider for urban residents.

The Company is firmly committed to its philosophy of "providing customers with zero-defect products and first-rated services". In addition, we apply concepts of scientific decision-making, management standardisation and operation professionalisation in our business management to ensure the quality of our products and services.

In its persistent professional pursuit of premium residential housing development over the past 24 years, the Company has fostered a "CCRE model" focused on provincial and regional development, created a brand name well trusted for social responsibility, groomed a high calibre management team, given substance to the corporate philosophy of "perseverance for excellence" and embarked on a development cycle of "ongoing profitability and stable growth".

Kaifeng Dongjingmenghua

Corporate Profile (Continued)

As of now, the Company has established its presence in Henan Province's 18 prefecture-level cities and 33 county-level cities. As at 31 December 2016, the Company had completed development projects with an accumulated aggregate gross floor area ("GFA") of approximately 18.75 million square metres ("sq.m.") and owned 54 projects/phases, total GFA under development of approximately 6.02 million sq.m. and land reserves GFA of approximately 20.92 million sq.m., including beneficially interested GFA of approximately 17.44 million sq.m.. During the reporting period, GFA measured approximately 3.32 million sq.m. for newly commenced projects and approximately 2.76 million sq.m. for contracted sales.

In line with its corporate culture underpinned by "honesty, responsibility, integrity and focus", a state of business featuring a high level of integration between "economic and social benefits, material and spiritual pursuits, corporate and staff interests, strategic objectives and execution process" is coming into shape.

The Company ranked 28th in the "2016 Top 500 Chinese Property Developers" in the "2016 Assessment Report on Top 500 Chinese Property Developers" published on 22 March 2016 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for eight consecutive years in a row and continued to be ranked in "Top 5 PRC Listed Property Companies in Operations Performance". According to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2016 published on 26 May 2016, the Company ranked 26th on the "China Real Estate Listed Company Ranking List" and ranked 4th among the listed property companies in China in terms of operations performance. On 13 July 2016, the Company remained in "the China's Top 500 Enterprises 2016" by Fortune Magazine Chinese version, ranking up by 73 positions to the 398th and the only property developer enterprise in Henan province which has made it to the list.

Turning dreams into reality, golden age coming along. The Company adheres to its corporate philosophy of "Perseverance for Excellence" and its core value of "Taking Root in Central China and Contributing to Society". The Company remains committed to making contributions to the development of the real estate industry and the private economic sector, as well as the strengthening of the nation and the prosperity of the country.

PROJECTS OVERVIEW

As at 31 December 2016, the Company had 128 projects completed and under development, covering Henan Province's 18 prefecture-level cities and 33 county-level cities.

Zhengzhou
1. Blossom Garden
2. Champagne Garden
3. City Garden
4. Code International Garden
5. Code One City
6. Code Two City
7. Forest Peninsula
8. Gongyi Code One City
9. Huayuan Kou Project
10. Jianye Huaji Brothers Film Culture Town
11. Jinshui Garden
12. Jianye Square
13. Jiuru House
14. Landmark
15. Lvbo Garden Project
16. Maple Garden
17. New World • Sweet-Scented Osmanthus Garden
18. Shangjie Forest Peninsula
19. Shangyue House
20. Spring Time
21. St. Andrews Project
22. Suoxu River Garden
23. The Five Buildings
24. Tianzhu
25. Tihome Jianye International City
26. Triumph Plaza
27. U-Town
28. Wisdom Port
29. Wulong City
30. Xiangsheng Garden
31. Yuanyang Pingyuan New City
32. Zhengxi U-Town

Kaifeng
33. Chrysanthemum Garden
34. Dongjingmenghua

Luoyang
35. Code One City
36. Forest Peninsula
37. Gentlest Lake
38. Golf Garden
39. Huayang Fengdu
40. Huayang Square
41. Poly Champagne International
42. Sweet-Scented Osmanthus Garden
43. Triumph Plaza
44. Wisdom Port
45. Yanshi Forest Peninsula

Pingdingshan
46. Baofeng Forest Peninsula
47. Eighteen Cities
48. Forest Peninsula
49. Sweet-Scented Osmanthus Garden
50. Wugang Forest Peninsula

Anyang
51. Forest Peninsula
52. Guihua House
53. Huaxian Jianye Code One City
54. Jianye City
55. Sweet-Scented Osmanthus Garden
56. Tangyin Forest Peninsula

Hebi
57. Code One City
58. Forest Peninsula
59. Sweet-Scented Osmanthus Garden

Xinxiang
60. Beverly Manor
61. Changyuang Forest Peninsula
62. Code One City
63. Forest Peninsula
64. Green Garden
65. Jianye City
66. U-Town

Jiaozuo
67. Code One City
68. Forest Peninsula
69. Park Lane
70. Xiuwu Forest Peninsula

Puyang
71. City Garden
72. Code One City
73. Jianye City
74. Jianye New City
75. Sweet-Scented Osmanthus Garden

Xuchang
76. Changge Spring Time
77. Changge Sweet-Scented Osmanthus Garden
78. Code One City
79. Forest Peninsula
80. Jianye City
81. Palladio Luxurious House
82. Shihe House
83. Yanling Eco-City
84. Yanling Jianye Hot Spring Hotel
85. Yuzhou Jianye City
86. Yuzhou Jundu New World

Luohe
87. Code One City
88. Forest Peninsula
89. Linying Sweet-Scented Osmanthus Garden
90. Moco New World
91. Xicheng Forest Peninsula

Sanmenxia
92. Code One City
93. Forest Peninsula
94. Green Garden
95. Lakeside Square
96. Lingbao Forest Peninsula
97. New World • SOHO
98. U-Town
99. New District Forest Peninsula

Shangqiu
100. Eighteen Cities
101. Forest Peninsula
102. Green Garden
103. Sweet-Scented Osmanthus Garden
104. U-Town
105. Yongchen U-Town
106. Zhecheng U-Town

Zhoukou
107. Forest Peninsula
108. Huaiyang Sweet-Scented Osmanthus Garden
109. Luyi Forest Peninsula
110. Luyi Baichengtiandi

Zhumadian
111. Eighteen Cities
112. Forest Peninsula
113. Suiping Forest Peninsula
114. Xiping Forest Peninsula

Nanyang
115. Code One City
116. Forest Peninsula
117. Green Garden
118. Taohua Island
119. Triumph Plaza

Xinyang
120. Code One City
121. Forest Peninsula
122. Jianye City
123. South Lake No. 1
124. U-Town

Jiyuan
125. Code One City
126. Forest Peninsula
127. New World • Pedestrian Street
128. U-Town

Corporate Profile (Continued)

CORPORATE HONOURS

March 2016

On 22 March 2016, the Company ranked 28th in the "2016 Top 500 Chinese Property Developers" in the "2016 Assessment Report on Top 500 Chinese Property Developers" and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for eight consecutive years in a row and repeatedly ranked in top 5 operations performance among the listed property companies in China.

May 2016

On 26 May 2016, the Company ranked 26th on the "China Real Estate Listed Company Ranking List" according to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2016 and ranked 4th among the listed property companies in China in terms of operations performance.

July 2016

On 13 July 2016, the Company remained in "the China's Top 500 Enterprises 2016" by Fortune Magazine Chinese version, ranking up by 73 positions to the 398th and the only property developer enterprise in Henan province which has made it to the list.

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

I have the pleasure to present, on behalf of the board (the "Board") of directors (the "Directors" and each a "Director") of Central China Real Estate Limited (the "Company", together with its subsidiaries, the "Group"), the consolidated annual results of the Group for the year ended 31 December 2016 (the "Annual Results").

2016 was a thrilling year with economic growth in China continuing to slow down, thereby putting China's property market on roller-coaster ride. In the first half of 2016, land price records were repeatedly broken and transaction volume and prices in the property market soared under the backdrop of favourable policies on inventory clearance since the beginning of 2016. In the second half of 2016, however, transaction volume plunged in red-hot markets where most potential buyers tended to be passive as a number of policies on housing purchase restrictions were implemented in those markets according to their circumstances. Site area of land transactions nationwide recorded a year-on-year decrease in 2016, while total transaction amount had been increasing.

The increase in transaction volume and price of land acquisitions was the combined effects of (1) transaction structure that land supply had been shrinking in the third and fourth-tier cities under the policies of "inventory clearance" and the proportion of land acquisition at high price in the first and second-tier cities increased; and, more importantly, (2) the coming of "the year of record-breaking land price".

Markets divergence, industrial consolidation, transformation and upgrade have been an inexorable trend in China's property market. Under such operating environment and industrial development, the Company has delivered steady results and elevated its positions in the industry by grasping new market opportunities under our accurate judgement and firmly facilitating the transformation and upgrade to a new lifestyle services provider from a traditional residential property developer, laying a concrete foundation for stepping up to another level in the future.

SOLID OPERATING RESULTS MAINTAINED WITH STEADY PROGRESS MADE IN DEVELOPMENT STRATEGY

The operating performance of the Company steadily improved in 2016 with a contracted sales amount of approximately RMB20,100 million, representing a year-on-year growth of 28%. The Company was ranked 28th in the "2016 Top 500 Chinese Property Developers" in the "2016 Assessment Report on Top 500 Chinese Property Enterprises" and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for eight consecutive years in a row and continued to be ranked in "Top 5 PRC Listed Property Companies in Operations Performance". According to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2016, the Company was ranked 26th on the "China Real Estate Listed Company Ranking List" and ranked 4th among the listed property companies in China in terms of operational performance.

OPTIMISING DEBT STRUCTURE AND FINANCE COST BY TAKING ADVANTAGE OF OPPORTUNITIES IN CAPITAL MARKET

On 14 April 2016, the Company completed its public offering of 5-year 6% corporate bonds with an offering size of RMB3 billion. The issuer and the bonds were assigned "AA" rating. The Company was the first Henan local real estate developer to issue corporate bonds and the largest in terms of the size of single issuances by private real estate developers within similar class in 2016, setting a benchmark in the industry as well as setting the lowest interest rate of such large-scale issuance by single issuer in property market in 2016.

A number of financing transactions involving a large amount of proceeds entered into by the Company have attracted great attention in capital markets, demonstrating the brand value of the Company and providing stronger support to firmly implement the development strategy of being "new lifestyle services provider".

FIRMLY IMPLEMENTING THE STRATEGY OF BEING NEW LIFESTYLE SERVICES PROVIDER FOR UPGRADE AND TRANSFORMATION

In 2016, high internet penetration, technological innovation and management reforms increasingly led to a brand new economic model. New values and concepts, such as product iteration, services upgrade and the importance of craftsmanship, have been redefining our living, and top real estate developers in China tended to establish business presence in Henan province, thus we were in urgent need of transformation and innovation. The Company has firmly implemented the strategy of transforming itself to a new lifestyle services provider from a traditional residential property developer and upgrading its brand association from "a good property developer" to "a good living provider". During the reporting period, the Company further expanded its light-asset expansion model featuring "delivery of our brands, management and capital" based on the "New Blue Ocean Strategy", exerting a stronger growth driving force for our development by maximising the brand premium and leveraging the management advantage.

The commercial ecology of the "Great Jianye" created by the Company has further been expanded and properly adjusted. In June 2016, the Company established the "CCRE Junlin Club" version 3.0, a brand new customer service platform for embodying 5 core values of "neighbourhood, social network, intelligence think tank, growth and cooperation", and recruited 2,000 high-end members in the province in only six months. The successful launch of "Jianye Tongbao" connected all sectors in an easy and convenient way, allowing customers to use the rich resources within the commercial ecology of CCRE. The number of registered full-name users of "E+ Family" APP, a community O2O platform, was in excess of 110,000, and the number of offline community service stations reached approximately 50, thereby preliminarily formed a customer service network across 18 cities in Henan province.

As to our cultural tourism sector, in addition to a film culture town co-developed with Huayi Brothers Group, the "Unique", performing arts rich in culture of central China, was introduced to Zhengzhou in November 2016 jointly by the Company and Wang Chaoge, a well-known director, forming a perfect combination of brand resources and local culture. In December 2016, we delivered Jianye Tianzhu, our fourth generation representative product demonstrating the concepts of "green, modern, technology and detailedly crafted", marking a new era of property market in Henan on providing high-end housing with full renovation.

By fully exploiting resources for new lifestyle services as part of our core property business, the Company finely interpreted a new lifestyle of "well-being, prestige, sharing and happiness" advocated in its new strategic period, further strengthening the Company's core competitiveness and expanding its brand influence.

Discipline is the bridge between goals and accomplishment. Property market tends to become stable after further adjustments in 2017. However, with the approval of urban agglomeration plan of central China, the success of Zhengzhou as a national central city, the approval of a series of national strategic platforms such as China (Zhengzhou) Cross-Border E-Commerce Comprehensive Pilot Zone and National Big Data Comprehensive Experimental Zone, and the emergence of multi-directional expansion of the high speed railway network, Henan province will undergo a new urbanisation to a greater extent.

Having taken root in Henan province for 24 years, the Company possesses two major leading advantages to support its long-term development, namely the wide customer base built up for 24 years, and its brand reputation representing trustworthiness and localness for Henan's people. If we want to make progress, we have to consolidate our core property business by achieving at least 20% growth. In 2017, we will expand our land reserve in key regions in Henan Province and Zhengzhou by leveraging its consolidated resources including the use of Jianye brand and innovating channel for land acquisition, further upgrade product and service standards, build "Great Jianye" commercial ecological resources system by vigourously develop the new lifestyle services, tourism and hotel businesses as well as attract more talents specializing in finance with investment banking mindset and talents specialising in information technology with platform building background and high-end services with international vision. In addition, we would accelerate synergic development of traditional property business and the "New Blue Ocean" business, supporting each other and taking our ambitious undertaking to the next level.

APPRECIATION

I would like to take this opportunity to express sincere gratitude to our staff for their diligent work and contributions. In this era of change, the trust and recognition of shareholders remain the driving force for us to go forward. We will continue to maximise shareholders' value by acting as the facilitator of urbanisation and social progress in cities in central China, and enhancing our contributions to the healthy and sustainable development of China's real estate industry.

Wu Po Sum
Chairman
24 March 2017

Financial Highlights

SUMMARY OF CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2016	2015	Changes
Revenue *(RMB'000)*	**9,495,022**	12,562,724	–24.4%
Gross profit *(RMB'000)*	**2,292,867**	2,788,023	–17.8%
Gross profit margin	**24.1%**	22.2%	1.9*
Gross profit from core business *(RMB'000)*	**2,100,606**	2,647,601	–20.7%
Net profit *(RMB'000)*	**404,120**	804,035	–49.7%
Net profit margin	**4.3%**	6.4%	–2.1*
Net profit from core business *(RMB'000)*	**707,289**	1,093,304	–35.3%
Net profit margin from core business	**7.8%**	8.9%	–1.1*
Profit attributable to equity shareholders *(RMB'000)*	**402,973**	801,290	–49.7%
Basic earnings per share *(RMB)*	**0.1650**	0.3284	–49.8%
Diluted earnings per share *(RMB)*	**0.1650**	0.3284	–49.8%
Final dividends per share *(HK$)*	**Nil**	0.1161	N/A

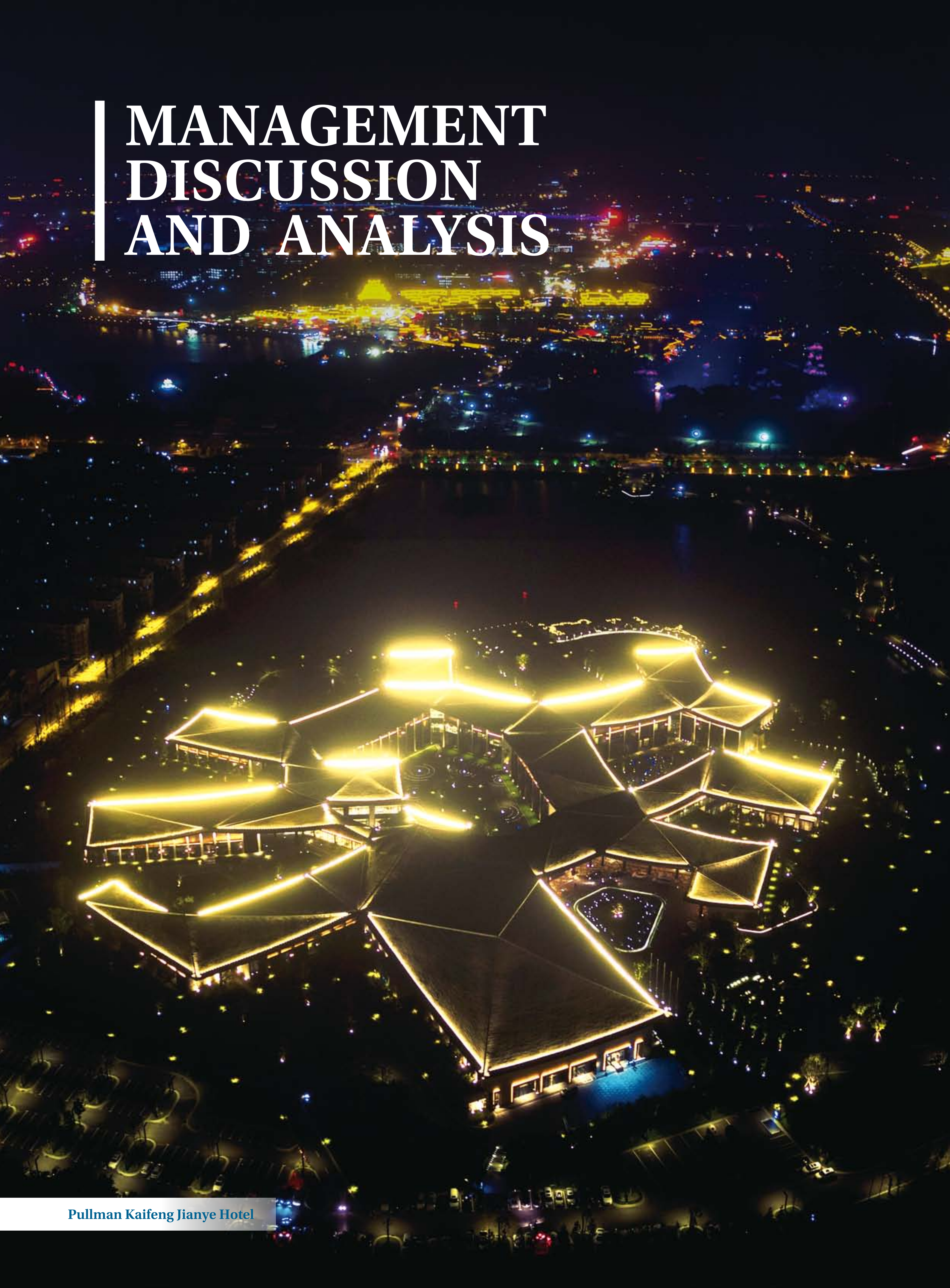
SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2016	2015	Changes
Total cash (including cash and cash equivalents and restricted bank deposits) *(RMB'000)*	**11,181,131**	8,734,071	28.0%
Total assets *(RMB'000)*	**44,325,800**	39,758,004	11.5%
Total liabilities *(RMB'000)*	**37,328,474**	32,440,485	15.1%
Total equity (including non-controlling interests) *(RMB'000)*	**6,997,326**	7,317,519	–4.4%
Total borrowings *(RMB'000)*	**14,356,054**	10,591,363	35.5%
Net borrowings *(RMB'000)*	**4,573,718**	3,133,330	46.0%
Current ratio	**139.3%**	121.7%	17.6*
Net gearing ratio	**65.4%**	42.8%	22.6*
Net asset value per share *(RMB)*	**2.87**	3.00	–4.3%
Equity attributable to equity shareholders per share *(RMB)*	**2.63**	2.78	–5.4%

Note: * change in percentage points

MANAGEMENT DISCUSSION AND ANALYSIS



Pullman Kaifeng Jianye Hotel

Management Discussion and Analysis

FINANCIAL REVIEW

Overall performance

The Group is pleased to announce a significant growth in contracted sales amounting to RMB20,146 million in 2016, representing a year-on-year increase of 28.0%. As the increase in contracted sales and cash collection of sales were satisfactory, the cash, cash equivalents and restricted bank deposits of the Group in total amounted to approximately RMB11,181 million as at 31 December 2016. As at 31 December 2016, net borrowings totaled approximately RMB4,574 million with net gearing ratio of approximately 65.4%. The Group has persisted in adhering to a prudent principle in financial management, thus maintaining a high proportion of cash with a reasonable level of borrowing.

Nevertheless, the progress of certain of our projects has fallen short of expectation due to the environmental protection policies implemented by the government of the People's Republic of China (the "PRC"), resulting in a decrease in the Group's property sales carried forward in terms of GFA and revenue recognised in 2016. Our gross profit margin gradually climbed up to 24.1% in 2016 after the policy on accelerated inventory clearance launched since the first half of 2015. In view of the aforesaid factors, net profit margin from core businesses decreased from 8.9% in 2015 to 7.8% in 2016.

In addition to property sales, the Group has been expanding its revenue base and spreading its operational risks through expanding hotel and cultural tourism projects and diversifying businesses. The management believes that injecting part of the resources into these new businesses would improve the Group's industry value-chain by integrating interactive business segments including properties, hotels and cultural tourism and offering "tailor-made" services to our customers.

In 2016, the Group facilitated the strategic development of its light-asset projects. As at 31 December 2016, the Group has participated in 36 light-asset projects with total planned GFA of approximately 7,060,000 sq.m.. The Group expects the light-asset projects will generate steady income to the Group in the coming years and such income will significantly increase following the development of the projects.

Revenue: Our revenue decreased by 24.4% to approximately RMB9,495 million in 2016 from approximately RMB12,563 million in 2015, primarily due to a decrease in income from sales of properties.

- **Income from sales of properties:** Revenue from property sales decreased by 25.8% to approximately RMB9,120 million in 2016 from approximately RMB12,287 million in 2015 due to a decrease in sold area to 1,752,945 sq.m. in 2016 from 2,037,117 sq.m. in 2015, and the average selling price decreased to RMB5,042 per sq.m. in 2016 from RMB5,993 per sq.m. in 2015. The decrease in the average selling price was due to a change in the product mix.

- **Rental income:** Revenue from property leasing decreased by 6.7% to approximately RMB95 million in 2016 from approximately RMB101 million in 2015, which was mainly derived from rental income of the properties held.

- **Revenue from hotel operation:** Revenue from hotel operation increased by 38.2% to approximately RMB242 million in 2016 from approximately RMB175 million in 2015. The increase was due to the opening of Pullman Kaifeng Jianye in the second half of 2015 and continuous improvement in operation of each hotel.

- **Revenue from provision of project management service:** Revenue from provision of project management service was approximately RMB39 million in 2016 which was derived from operation and management services provided by the Group under light-asset projects.

Cost of sales: Our cost of sales decreased by 26.3% to approximately RMB7,202 million in 2016 from approximately RMB9,775 million in 2015. The decrease in cost of sales was due to a decrease in GFA sold in property sales as mentioned above and a corresponding decrease in land and construction costs.

Gross profit: As a result of the aforesaid changes in revenue and cost of sales, our gross profit decreased by 17.8% to approximately RMB2,293 million in 2016 from approximately RMB2,788 million in 2015, while our gross profit margin increased from 22.2% in 2015 to 24.1% in 2016.

Other revenue: Our other revenue increased by 16.8% to approximately RMB229 million in 2016 from approximately RMB196 million in 2015. This was primarily due to an increase in interest income from advances to related parties and third parties.

Other net income: Other net income of approximately RMB18 million in 2016 was primarily attributable to the fair value gain upon acquisition of subsidiaries offset by the exchange loss.

Selling and marketing expenses: Our selling and marketing expenses decreased by 14.5% to approximately RMB479 million in 2016 from approximately RMB560 million in 2015. The decrease was primarily due to the enhanced cost control measures on advertising and promotional expenses.

General and administrative expenses: Our general and administrative expenses increased by 12.1% to approximately RMB808 million in 2016 from approximately RMB721 million in 2015. This increase was primarily due to an increase in depreciation of hotels due to the opening of Pullman Kaifeng Jianye since the second half of 2015.

Other operating income: Other operating income decreased by 10.6% to approximately RMB43 million in 2016 from approximately RMB48 million in 2015. The decrease was mainly due to a decrease in sales of construction materials.

Share of profits less losses of joint ventures: Our share of profits less losses of joint ventures decreased by 60.0% to approximately RMB107 million in 2016 from approximately RMB269 million in 2015, primarily due to a decrease in the recognition of revenue from the joint ventures. The revenue from the Group's joint ventures amounted to approximately RMB2,323 million (2015: RMB3,542 million), representing GFA sold of 230,653 sq.m. (2015: 467,119 sq.m.) during 2016, in which revenue of RMB1,335 million (2015: RMB1,931 million), representing GFA sold of 123,476 sq.m. (2015: 242,497 sq.m.), was attributable to the Group.

Finance costs: Our finance costs decreased by 7.7% to approximately RMB401 million in 2016 from approximately RMB434 million in 2015.

Net increase/(decrease) in fair value of investment properties: An increase of approximately RMB27 million in fair value of our investment properties in 2016 was recorded, as compared to a decrease of approximately RMB25 million in 2015.

Income tax: Income tax for the year comprises corporate income tax, land appreciation tax and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. Our income tax decreased by 33.5% to approximately RMB623 million in 2016 from approximately RMB937 million in 2015 due to a decrease in gross profit. Effective tax rate increased to 60.7% in 2016 from 53.8% in 2015, which was mainly due to decrease in a reversal of over-provision for land appreciation tax in prior year as compared to that in 2015.

Profit for the year: As a result of the foregoing, our profit for the year decreased by 49.7% to approximately RMB404 million in 2016 as compared to approximately RMB804 million in 2015.

Financial resources and utilisation: As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB9,776 million (31 December 2015: approximately RMB7,422 million). During the year, the Group distributed a final dividend of approximately RMB240 million to the shareholders of the Company in relation to full-year profit attributable to the year ended 31 December 2015. No payment of final dividend for the year ended 31 December 2016 is recommended.

Structure of Borrowings and Deposits

We continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowing. During the year, we successfully issued the senior notes with principal amount of US$200,000,000 at a coupon rate of 6.75% due 2021 (the "US$200m Senior Notes"). As at 31 December 2016, the repayment schedule of the Group's bank and other borrowings was as follows:

Repayment Schedule	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
Bank loans		
Within one year	514,265	1,045,045
More than one year, but not exceeding two years	393,695	234,258
More than two years, but not exceeding five years	683,985	404,985
Exceeding five years	773,495	497,490
	2,365,440	2,181,778
Other loans		
Within one year	90,000	725,000
More than one year, but not exceeding two years	90,000	90,000
More than two years, but not exceeding five years	180,000	277,700
Exceeding five years	30,000	30,000
	390,000	1,122,700

Repayment Schedule	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
Corporate bonds		
More than two years, but not exceeding five years	**2,978,128**	–
Senior notes		
Within one year	**960,216**	771,354
More than one year, but not exceeding two years	**2,795,026**	886,916
More than two years, but not exceeding five years	**4,867,244**	3,756,619
Exceeding five years	**–**	1,871,996
	8,622,486	7,286,885
Total borrowings	**14,356,054**	10,591,363
Deduct:		
Cash and cash equivalents	**(9,776,310)**	(7,422,350)
Restricted bank deposits secured bank loans and other loans	**(6,026)**	(35,683)
Net borrowings	**4,573,718**	3,133,330
Total equity	**6,997,326**	7,317,519
Net gearing ratio (%)	**65.4%**	42.8%

Pledge of assets: As at 31 December 2016, we had pledged completed properties, properties under development, properties for future development, property, plant and equipment and bank deposits with an aggregate carrying amount of approximately RMB3,109 million (2015: approximately RMB3,615 million) to secure general bank credit facilities and other loans granted to us. We also pledged properties under development and property, plant and equipment with aggregate carrying amount of approximately RMB466 million (2015: approximately RMB1,299 million) to secure bank loans and other loans of joint ventures.

Contingent liabilities: As at 31 December 2016, we provided guarantees of approximately RMB19,077 million (2015: approximately RMB14,812 million) to banks in favor of customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the developed properties of our Group as well as those of its joint ventures. We also provided guarantees to bank loans and other loans of joint ventures amounting to approximately RMB2,914 million as at 31 December 2016 (2015: approximately RMB3,901 million). Apart from the above, the Group provided liquidity support in favour of Jianye Property Management in an amount of RMB650,000,000 as at 31 December 2016 in relation to Assets-backed Securities issued by Jianye Property Management.

Capital commitment: As at 31 December 2016, we had contractual commitments undertaken by subsidiaries and joint ventures attributable to our Group, the performance of which was underway or ready, in respect of property development amounting to approximately RMB6,450 million (2015: approximately RMB5,150 million), and we had authorised, but not yet contracted for, a further approximately RMB13,449 million (2015: approximately RMB15,131 million) in expenditure in respect of property development.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 31 December 2016, our major non-RMB assets and liabilities are (i) bank deposits denominated in H.K. dollar and (ii) the senior notes denominated in U.S. dollar and SGD. We are subject to foreign exchange rate risk arising from future commercial transactions denominated in currencies other than RMB and recognised assets and liabilities. The majority of our foreign currency transactions and balances are denominated in H.K. dollar, U.S. dollar and SGD. Considering the main income stream of the Group denominated in RMB, we have translated the principal and interest of the US$200m Senior Notes issued in 2016 into RMB through a forward swap. Our foreign currency hedging policy is stated in note 2 to the financial statements.

Interest rate risks: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We currently do not use derivative instruments to hedge its interest rate risks.

Human resources and remuneration policy: As at 31 December 2016, we had 2,467 employees (31 December 2015: 2,153 employees). Staff remuneration is determined on the basis of individual performance, experience and prevailing industry practices. We review our remuneration policy and arrangements on a regular basis and staff may be rewarded with bonuses and cash payments depending on individual performance appraisals. Our policies for insurance and provident fund are in compliance with national and local laws and regulations on labour affairs and social welfare. At the date of this announcement, there was no significant labor dispute which had or might have an adverse impact on our business operations.

REVIEW OF OPERATIONS

(I) Market and Operations Review

1. *The Macro-economic Environment*

In face of the perplexing economic landscape within and outside the PRC in 2016, China's economy continued its commitment to the general principle of making progress while keeping performance stable by pressing ahead with supply-side structural reform so as to modestly increase domestic demand, firmly proceed with reforms and properly rise up to risks and challenges. The national economy has been running within the proper range and showing moderate yet stable and sound momentum of development. In addition, economic structure continued to optimise, reforms and opening up achieved breakthroughs, and people's livelihood and ecological environment unceasingly improved. In 2016, China's gross domestic product (GDP) amounted to approximately RMB74.41 trillion, representing a year-on-year growth of 6.7%.

In 2016, Henan province pursued to formulate and implement new development concept by pressing ahead with supply-side structural reform, placing stronger focus to promote steady growth, facilitate reforms, adjust structures, strengthen foundations, improve livelihood, manage risks and strike a right balance comprehensively, resulting in keeping the economy run in stability, make progress and improve quality while ensuring stability. In 2016, Henan's GDP amounted to RMB4.02 trillion, representing a year-on-year growth of 8.1%, which is 1.4 percentage points higher than the national average.

Zhengzhou Sky Mansion

2. *The Property Market*

For the first three quarters of 2016, the policy on the nationwide property market remained lenient. Policies including lowering the minimum down payment requirement and transaction taxes and fees, implementing loose credit policies to facilitate inventory clearance, resulted in significant rise in transaction volume and price of commodity housing. However, the PRC government launched over 20 property market cooling measures since 30 September 2016 and elevated control level over the property market with an aim to combat asset bubbles. As such, urban divergence further intensified in 2016 whereby excessive demand presented in the first and second-tier cities and red-hot markets with housing prices soared and record-breaking land sales appeared frequently in the year, whereas excess inventory pressure in the third and fourth-tier cities remained serious. As a result, branded property developers recorded significant increase in sales. The increasingly noticeable divergence among companies accelerated industrial consolidation and further increased its concentration. Under such circumstances, the property market reached its cyclic climax within its fluctuations and annual transaction volume had hit a record high. The sales GFA of commodity housing in the nationwide property market amounted to 1,573,490,000 sq.m., representing a year-on-year growth of 22.5%, the sales amount of which was RMB11.76 trillion, representing a year-on-year growth of 34.8%.

Demand for housing in Henan province has been released by strong promotion of new urbanisation under the backdrop of easing credit policy and new inventory clearance policy adopted by prefecture-level and city-level government, thereby promoting a stable development of the property market. In 2016, the sales GFA of commodity housing sold in Henan province was approximately 1,131,000,000 sq.m., representing a year-on-year growth of 32.1%, sales amount of which was RMB561.3 billion, representing a year-on-year growth of 42.3%.

(II) Project Development

During the reporting period, the Company further improved its overall business layout by integrating its businesses into interactive segments including property, hotel, cultural tourism and green house. Considerable synergy was created, as a result, by the formation of business segments under the operation of the platform of the Company. On the one hand, the property business has been broadening customer base by introducing quality customers to the Company. On the other hand, rapid development of other business segments, such as hotel, cultural tourism and green house, has provided our property customers and other customers featured services, thereby enhancing brand influence and promoting property segment development. The major business segments of the Company have established a mutually-beneficial relationship.

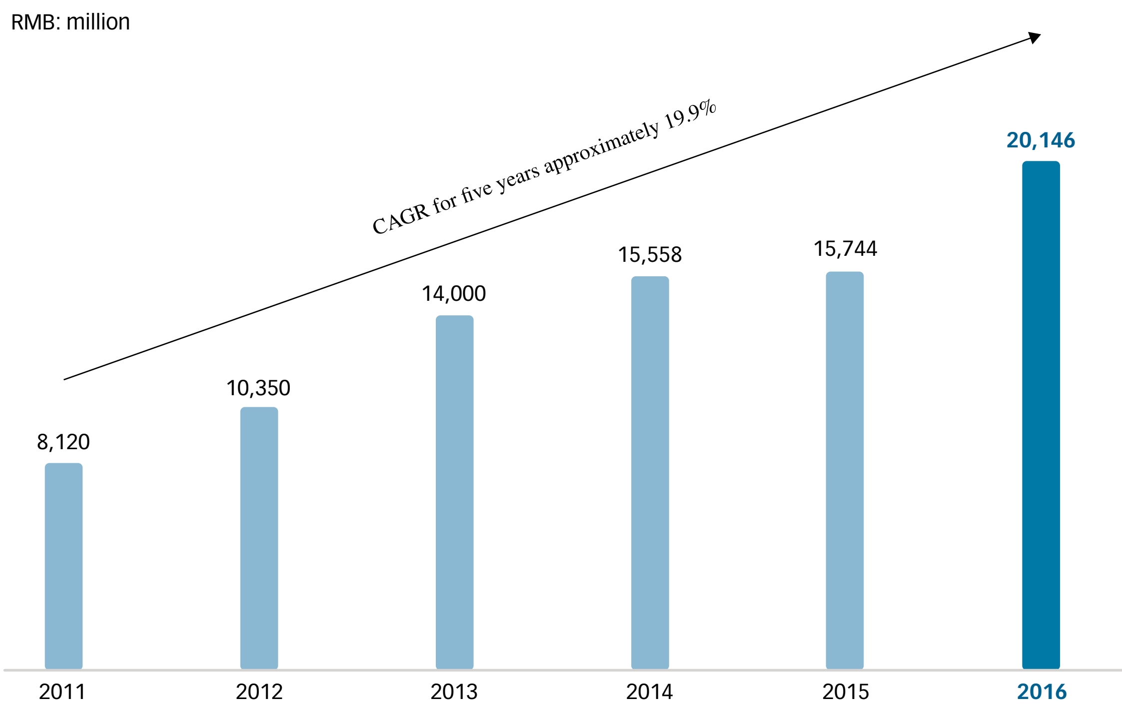
In order to enhance profitability, expand market share and improve comprehensive competitiveness, the Company also maximised its brand value by launching its light-asset business featuring "delivery of our brands, management and capital", and satisfactory performance had been achieved in the reporting period.

1. *Property Development*

The Company continued to grow in 2016. It orderly commenced all works set out in the annual operating plan. By leveraging our strengths, the Company persistently focused on Henan while developing the cities where we operate, and moderately stocked up a number of high quality projects in cities with better development prospects with an aim to ensure stable operation and sound development of the Company.

(a) *Property Sales Performance*

During the reporting period, a progressive growth in property sales and a breakthrough in sale target were achieved through our great effort in expediting property sales. In 2016, the contracted sales sold by the Company amounted to approximately RMB20,146 million, representing an increase of 28.0%; and the contracted area sold by the Company was approximately 2,764,000 sq.m., representing an increase of 1.2%. The compound annual growth rate of the Company's contracted sales in the past five years was approximately 19.9%. In terms of contracted sales amount, the market share of the Company in Henan province was approximately 3.6%.



Geographical Breakdown of Contracted Sales in 2016

City	Contracted sales amount (RMB million)			Contracted GFA ('000 sq.m.)		
	2016	2015	*Change*	**2016**	2015	*Change*
Zhengzhou	**10,698**	4,939	117%	**833**	568	47%
Kaifeng	**276**	231	19%	**50**	29	72%
Luoyang	**1,315**	1,321	–0%	**220**	214	3%
Pingdingshan	**517**	584	–11%	**115**	123	–7%
Anyang	**304**	338	–10%	**77**	95	–19%
Hebi	**516**	544	–5%	**131**	126	4%
Xinxiang	**832**	632	32%	**179**	143	25%
Jiaozuo	**397**	558	–29%	**73**	111	–34%
Puyang	**590**	568	4%	**131**	118	11%
Xuchang	**858**	844	2%	**178**	173	3%
Luohe	**700**	637	10%	**152**	139	9%
Sanmenxia	**320**	369	–13%	**53**	79	–33%
Shangqiu	**560**	1,030	–46%	**111**	207	–46%
Zhoukou	**564**	526	7%	**127**	127	0%
Zhumadian	**859**	772	11%	**187**	172	9%
Nanyang	**252**	1,141	–78%	**29**	160	–82%
Xinyang	**279**	348	–20%	**52**	68	–24%
Jiyuan	**309**	362	–15%	**66**	79	–16%
Total	**20,146**	15,744	28%	**2,764**	2,731	1%

(b) *Newly Commenced Property Projects*

During the reporting period, the Company completed the target of projects commencement by adapting market change, strengthening management and enhancing efficiency. The Company commenced construction of 33 projects in 2016 with newly commenced GFA of 3,319,493 sq.m..

Details of Newly Commenced Projects in 2016

City	**Project name**	**Principal use of property**	**Newly commenced GFA** *(sq.m.)*
Zhengzhou	Blossom Garden	Residential	244,902
Zhengzhou	Jiuru House	Residential	171,037
Zhengzhou	Zhengxi U-Town	Residential	128,451
Luoyang	Poly Champagne International	Residential	73,017
Luoyang	Huayang Fengdu	Residential	121,380
Anyang	Jianye City	Residential	229,876
Puyang	Code One City	Residential	80,385
Puyang	Jianye New City	Residential	84,706
Hebi	Code One City	Residential	190,205
Xinxiang	Beverly Manor	Residential	53,619
Xinxiang	Code One City	Residential	197,775
Xinxiang	Changyuan Forest Peninsula	Residential	72,734
Jiaozuo	Park Lane	Residential	175,021
Jiaozuo	Xiuwu Forest Peninsula	Residential	55,654
Xuchang	Code One City	Residential	99,907
Luohe	Code One City	Residential	110,159
Shangqiu	Eighteen Cities	Residential	117,064
Shangqiu	Yongcheng U-Town	Residential	97,833
Shangqiu	Zhecheng U-Town	Residential	70,428
Zhoukou	Luyi Jianye City	Residential	118,071
Zhumadian	Eighteen Cities	Residential	191,608
Nanyang	Code One City	Residential	113,872
Sanmenxia	Lingbao Forest Peninsula	Residential	67,124
Sanmenxia	U-Town	Residential	87,672
Xinyang	Jianye City	Residential	157,430
Others			209,563
Total			3,319,493

(c) *Property Projects under Development*

As at 31 December 2016, the Company had 54 projects under development with a total GFA of approximately 6,019,755 sq.m., including 9 projects under development in Zhengzhou and 45 projects under development in other cities of Henan province.

Details of Projects under Development as at 31 December 2016

City	Project name	Principal use of property	Total GFA
			(sq.m.)
Zhengzhou	Tianzhu	Residential	174,413
Zhengzhou	Triumph Plaza	Commercial	247,208
Zhengzhou	Gongyi Code One City	Residential	105,434
Zhengzhou	Suoxu River Garden	Residential	62,954
Zhengzhou	Tihome International City	Residential	616,114
Zhengzhou	Blossom Garden	Residential	244,904
Zhengzhou	Jiuru House	Residential	171,037
Zhengzhou	Zhengxi U-Town	Residential	128,451
Zhengzhou	Wulong City	Residential	592,938
Kaifeng	Chrysanthemum Garden	Residential	98,164
Luoyang	Sweet-Scented Osmanthus Garden	Residential	158,562
Luoyang	Poly Champagne International	Residential	211,129
Luoyang	Huayang Fengdu	Residential	121,380
Anyang	Jianye City	Residential	229,876
Xinxiang	Beverly Manor	Residential	53,619
Xinxiang	Code One City	Residential	217,573
Jiaozuo	Park Lane	Residential	139,645
Jiaozuo	Xiuwu Forest Peninsula	Residential	55,654
Xuchang	Code One City	Residential	114,587
Sanmenxia	Code One City	Residential	62,957
Sanmenxia	U-Town	Residential	87,672
Sanmenxia	Lingbao Forest Peninsula	Residential	67,124
Shangqiu	Eighteen Cities	Residential	156,564
Shangqiu	Zhecheng U-Town	Residential	97,682
Shangqiu	Yongcheng U-Town	Residential	97,833
Zhumadian	Eighteen Cities	Residential	191,608
Zhumadian	Suiping Forest Peninsula	Residential	65,164
Nanyang	Code One City	Residential	113,872
Hebi	Code One City	Residential	272,898
Hebi	Sweet-Scented Osmanthus Garden	Residential	59,633
Puyang	Code One City	Residential	80,225
Puyang	Jianye New City	Residential	84,706
Luohe	Xicheng Forest Peninsula	Residential	93,692
Luohe	Code One City	Residential	110,159
Zhoukou	Luyi Jianye City	Residential	57,632
Xinyang	Jianye City	Residential	114,783
Others			461,909
Total			6,019,755

(d) *Property Projects Completed*

During the reporting period, the Company had 39 projects/phases completed in total with a total completed GFA of 2,037,471 sq.m..

Details of Project Completed in 2016

City	Project name	Principal use of property	Saleable GFA *(sq.m.)*
Zhengzhou	Gongyi Code One City	Residential	119,208
Zhengzhou	Suoxu River Garden	Residential	95,193
Luoyang	Wisdom Port	Commercial	66,400
Pingdingshan	Eighteen Cities	Residential	61,059
Anyang	Tangyin Forest Peninsula	Residential	41,561
Anyang	Sweet-Scented Osmanthus Garden	Residential	78,335
Hebi	Code One City	Residential	95,417
Hebi	Huaxian Code One City	Residential	51,361
Hebi	Sweet-Scented Osmanthus Garden	Residential	52,972
Xinxiang	Code One City	Residential	55,415
Jiaozuo	Park Lane	Residential	77,748
Puyang	Code One City	Residential	81,458
Xuchang	Changge Sweet-Scented Osmanthus Garden	Residential	46,060
Xuchang	Code One City	Residential	92,265
Luohe	Xicheng Forest Peninsula	Residential	67,248
Sanmenxia	Code One City	Residential	43,823
Shangqiu	Eighteen Cities	Residential	94,129
Shangqiu	Zhecheng U-Town	Residential	45,493
Zhoukou	Luyi Jianye City	Residential	56,134
Zhoukou	Huaiyang Sweet-Scented Osmanthus Garden	Residential	42,273
Zhumadian	Eighteen Cities	Residential	68,779
Nanyang	Triumph Plaza	Commercial	282,019
Xinyang	Jianye City	Residential	42,647
Jiyuan	U-Town	Residential	70,518
Others			209,956
Total			2,037,471

2. *Hotels*

The Company was of the view that multiple business portfolio may diversify operational risks and increase revenue size and stability. Through successful development and operation of a series of high-end hotel projects, the Company has accumulated itself with comprehensive ability to develop, invest in and operate high-end hotels, and has established sound working relationships with internationally renowned hotel conglomerates such as Marriott, InterContinental and AccorHotels. The Company's hotels are identified with high-quality services and are popular among, and well recognised by, high-income consumers. This enhances the Company's brand and reputation, and promotes higher profitability of property projects.

As at 31 December 2016, the Company had 5 hotels completed and 1 self-operated hotels under development with a total GFA of approximately 230,000 sq.m.. Revenue from hotel operation in the reporting period increased by 38.2% as compared with that in the same period last year, demonstrating a sustainable and steady revenue from the hotel segment.

Le Méridien Zhengzhou

Le Méridien Zhengzhou opened on 31 October 2013 with a site area of 5,391 sq.m. and a total GFA of approximately 65,007 sq.m.. It is located at the junction of Zhengbian Road and Zhongzhou Avenue, Zhengzhou. It is an international five-star hotel with world-class facilities, mixing stylish elements with classic design. It has 350 guest rooms or suites and is currently managed by Marriott International Group.

Aloft Zhengzhou Shangjie

Aloft Zhengzhou Shangjie opened on 6 August 2011 with a site area of 12,701 sq.m. and total GFA of approximately 19,457 sq.m.. It is located at No. 101, Zhongxin Road, Shangjie District, Zhengzhou City. Aloft Zhengzhou Shangjie is an intelligent composite 4-star hotel comprising food & beverage, accommodation, conference and entertainment in fashionable and simplistic design. It has 172 guest rooms or suites and is currently managed by Marriott International Group.

Holiday Inn Nanyang

Holiday Inn Nanyang opened on 8 August 2012 with a site area of approximately 66,700 sq.m. and a total GFA of approximately 50,574 sq.m.. It is located at the junction of State Road 312 and Binhe Road in Nanyang which is in close proximity to Baihe River Tourist Attraction. It is a five-star garden design style hotel and the first multi-functional hotel in Nanyang for the purposes of commerce, holiday, administration and conference. It has 360 guest rooms or suites and is currently managed by InterContinental Hotels Group.

Four Points by Sheraton Luohe

Four Points by Sheraton Luohe opened on 23 November 2012 with a site area of approximately 35,326 sq.m. and a total GFA of approximately 37,398 sq.m.. It is located at Songshan Road West Branch, Yancheng District, Luohe which is in close proximity to the Convention and Exhibition Center. Four Points by Sheraton Luohe is an intelligent composite 5-star hotel comprising business conference, food & beverage, accommodation, leisure and entertainment in classic and fashionable design. It has 244 guest rooms or suites and is currently managed by Marriott International Group.

Pullman Kaifeng Jianye

Pullman Kaifeng Jianye opened on 8 October 2015 with a site area of approximately 58,349 sq.m. and a total GFA of approximately 43,836 sq.m.. It is located at No. 16, Longtin North Road, Longtin District, Kaifeng City. Pullman Kaifeng Jianye is a 5-star resort hotel comprising business conference, food & beverage, accommodation, leisure and entertainment. The building is a post-modern architecture in Northern Song style. It has 186 guest rooms or suites and is currently managed by Accor Hotels Group.

Yanling Jianye Hot Spring Hotel (under development)

Yanling Jianye Flowerbed Hot Spring Hotel will be developed in two phases. The first phase has a site area of approximately 24,679 sq.m. and a total GFA of approximately 20,000 sq.m.. It will be the first self-operated hotel of the Group with 51 guest rooms or suites. Yaning Jianye Flowerbed Hot Spring Hotel will be a hot spring resort hotel comprising business conference, food & beverage, accommodation, leisure and entertainment. Its soft launch is planned to be in 2018.

3. *Cultural Tourism*

Cultural tourism sector of the Company is engaged in development and operation of real estate projects for cultural tourism principally located in historic cities in Henan province, such as Zhengzhou, Kaifeng and Luoyang. Having been rich in history, culture and natural resources, it tells the "Jianye story of cultural tourism" in different style, forms and substance through theme park, tourist district and real scenery performance. As at 31 December 2016, the Company had 4 projects for cultural tourism, namely Jianye Huayi Brothers Film Culture Town, Zhengping Fang Cultural and Creativity Park in Luoyang, Jianye Unique and Jianye Ivi 1895.

Jianye Huayi Brothers Film Culture Town is the Company's strategic cooperation project with Huayi Brothers (Tianjin) Real Scene Entertainment Company Limited (the "Huayi Brothers"). The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a planned total site area of approximately 1.33 million sq.m. and a total GFA of approximately 1.80 million sq.m.. As a project designated for film, real scenery and cultural tourism, it provides cinematic culture, cinema interactive games, cinematic exhibition, folk performance, folk exhibitions, unique cuisine and commercial tourism, constituting a comprehensive commercial zone for leisure, entertainment and tourism in form of a film culture town with the essence of cultural diversity and urban leisure. First phase of the project is planned to commence operation in second half of 2018.

Zhengping Fang Cultural and Creativity Park in Luoyang and Jianye Unique are the two large-scale acting and performance projects co-developed with Wang Chaoge (王潮歌), a director of real scenery performance. Zhengping Fang Cultural and Creativity Park in Luoyang is located at Ancient Capital of 13 Dynasties, Luoyang City, Henan Province; and Jianye Unique is located at International Cultural and Creative Industrial Park in Zhengzhou, the two projects are currently under progressive development.

Jianye Ivi 1895 is a cinematic theme event venue for culture and leisure co-developed with ivimovie Cultural Development Co. Ltd. The project pairs technology with culture, film with arts and vogue with leisure. Jianye Ivi 1895 provides cinema, performance theatre, cultural creativity center, reading room and technology zone, creating a site for diversified cultural and entertainment. As at 31 December 2016, three Ivi theatres were in operation in Zhengzhou.

4. *Green House*

CCRE's green houses are the establishment and operation of CCRE's modern agricultural projects. As at 31 December 2016, the Company had one green house completed and in operation, namely Yanling Jianye Green House, and one green house under development, namely Hebi Green House.

Yanling Green House

Yanling Jianye Green House is located in Xuchang City, Yanling County, less than 100 km from Zhengzhou City, with a total site area of approximately 3.33 million sq.m.. It is a modern agricultural complex covering modern farming, traditional farming, agri-tourism and unique cuisine. The project is equipped with intelligent gutter-connected glass greenhouse, multi-functional exhibition hall, technology research centre and culture room for cut flowers as well as 3,000 Chinese-mu eco-tree seedlings.

The number of visitors of Yanling Jianye Green House was in excess of 370,000 in 2016, including provincial and city level officials, local and foreign experts and researchers in relevant areas, Jianye property owners and members of "Jianye Junlin Club". The project has been rated as the "Model Enterprise of Urban Eco-agriculture" and the "Enterprise of Technological Innovation" by the government of Xuchang City; the Museum of Traditional House in Central China, a follow-up project, has been listed in the "First Batch Type-A Key Construction Projects in Henan Province" in 2016 by the Henan Development and Reform Commission; and the research centre has been rated as the "Engineering Research Centre for High-end Cut Flowers in Henan Province".

Hebi Green House (under development)

Hebi Green House is located at the urban-rural integration demonstration zone in Hebi City with a total site area of approximately 3.40 million sq.m.. It is modern agricultural complex covering modern farming, traditional farming, agri-tourism, health and well-being improvement as well as unique cuisine. 180,000 seedling pots for landscape plantation were in place during the reporting period, and a multi-functional exhibition hall and the intelligent gutter-connected glass green house were under construction.

5. *Light-asset Model Projects*

The Company launched its light-asset development strategy in relation to the delivery of its brands, its management and its capital in 2015 based on the Company's judgement of the development of the real estate industry as well as its understanding of demand for cooperation in development of real estate market in order to strengthen the profitability, expand the market share and enhance the composite competitiveness as well as to maximise the value of the Company's brands.

As at 31 December 2016, the Company had entered into 36 agreements for the light-asset model projects (whereas the agreements for the light-asset project in Gongyi City entered into on 28 March 2016 and the light-asset project in Yanling County entered into on 5 July 2016 were cancelled for certain reasons). In accordance with the terms of the agreements, those projects are expected to have a total GFA of approximately 7,060,000 sq.m.. In addition, the Company has formulated normative management standards, and further implemented a continuing talent development programme and quality control mechanism for our products and services.

(III) Land Reserves

During the reporting period, the Group newly acquired land reserves with a site area of approximately 1,510,000 sq.m. and a total GFA of approximately 4,340,000 sq.m. through public land auctions and equity interest acquisitions. As at 31 December 2016, the Group had land reserves with a total GFA of approximately 20.92 million sq.m., including beneficially interested GFA of approximately 17.44 million sq.m., a total GFA under development of approximately 6.02 million sq.m. and a total GFA held for future development of approximately 14.90 million sq.m..

1. *Public Land Auctions*

On 25 January 2016, the Group acquired the land use rights of one land parcel located at the south of Heluo Road, the west of Chuncheng Road and the north of Yanguang Road in High-Tech Industrial Development Zone, Luoyang City. The purchase price for the acquisition was approximately RMB172 million. The land parcel has a site area of 37,416 sq.m..

On 27 January 2016, the Group acquired the land use rights of three land parcels located in Jinwa Village, Huiji District, Zhengzhou City. The purchase price for the acquisitions was approximately RMB613 million. The three land parcels have a site area of 89,964 sq.m..

On 2 February 2016, the Group acquired the land use rights of one land parcel located at the north of Beihuan Road, the east of National Highway 209 in Sanmenxia City. The purchase price for the acquisition was approximately RMB139 million. The land parcel has a site area of 44,223 sq.m..

On 2 March 2016, the Group acquired the land use rights of one land parcel located at the Northwest corner of the junction between West Hebin Road and Shuangtian Road in Wulong District, Lingbao City. The purchase price for the acquisition was approximately RMB21 million. The land parcel has a site area of 15,424 sq.m..

On 18 May 2016, the Group acquired the land use rights of two land parcels located at the Southwest of the junction between Pingyuan Road and Santai Street in Anyang City. The purchase price for the acquisitions was approximately RMB111 million. The two land parcels have a total site area of 76,769 sq.m..

On 27 May 2016, the Group acquired the land use rights of one land parcel located at the south of Xueyuan Road and the west of Huaihai Road in Zhecheng County. The purchase price for the acquisition was approximately RMB22 million. The land parcel has a site area of 27,145 sq.m..

On 29 August 2016, the Group acquired the land use rights of one land parcel located at the core area of Model Zone in Pingyuan, Xinxiang City. The purchase price for the acquisition was approximately RMB204 million. The land parcel has a site area of 146,574 sq.m..

On 30 September 2016, the Group acquired the land use rights of two land parcels located in Shangqiu City, where eastern edge is Xueyuan Road, western edge is Guide Road and northern edge is Zhuyun West Road. The purchase price for the acquisition was approximately RMB206 million. The two land parcels have a site area of 85,899 sq.m..

On 25 October 2016, the Group acquired the land use rights of one land parcel located at the south of Kangsheng Street and the east of Jingfu Road in Xuchang City. The purchase price for the acquisition was approximately RMB96 million. The land parcel has a site area of 28,604 sq.m..

On 16 December 2016, the Group acquired the land use rights of two land parcel located at the west of Taibaishan Road, Xicheng District, Luohe City. The purchase price for the acquisition was approximately RMB297 million. The two land parcels have a site area of 139,397 sq.m..

On 21 December 2016, the Group acquired the land use rights of one land parcel located at the east of Weiwen Road and the north of Hongteng Road in Xuchang City. The purchase price for the acquisition was approximately RMB418 million. The land parcel has a site area of 110,170 sq.m..

On 21 December 2016, the Group acquired the land use rights of one land parcel located in Luyi County, where the south edge is Ziqi Avenue, a trunk road, the north edge is Xiantai Road and the west edge is Laojuntai Road. The purchase price for the acquisition was approximately RMB239 million. The land parcel has a site area of 58,928 sq.m..

On 29 December 2016, the Group acquired the land use rights of two land parcels located at the junction between Xiangyun Avenue and Xuanyuan Road in Yuzhou City. The purchase price for the acquisition was approximately RMB159 million. The two land parcels have a site area of 67,925 sq.m..

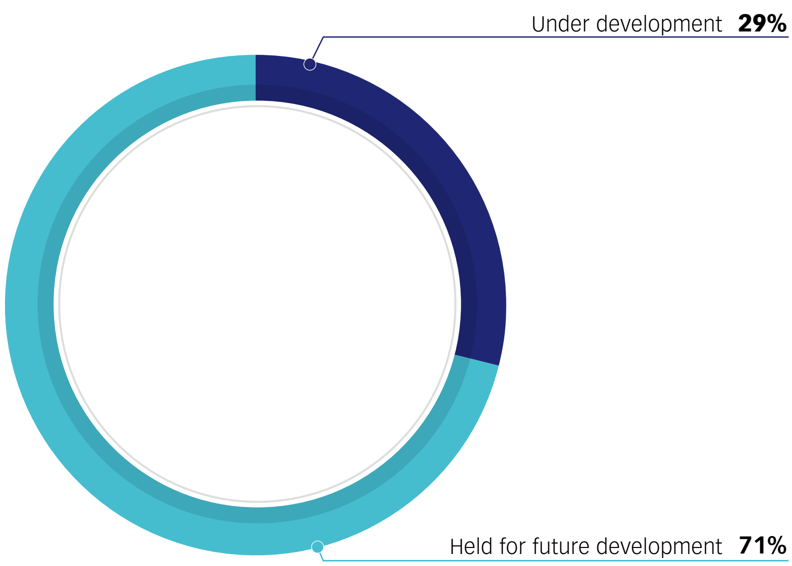
2. *Equity Interest Acquisitions*
   As at 31 December 2016, the Group, through equity interest acquisitions, acquired 11, in aggregate, land parcels with a total site area of 624,195 sq.m. in Zhengzhou City, Sanmenxia City, Xinxiang City and Xuchang City.

3. *Land reserves acquired after the reporting period*
   On 4 January 2017, the Group acquired the land use rights of three land parcels located at the east of Zijing Road and the south of Xiangyu Road in Gongyi City. The purchase price for the acquisition was approximately RMB219 million. The three land parcels have a total site area of 125,981 sq.m..

4. *Distribution of land reserves*

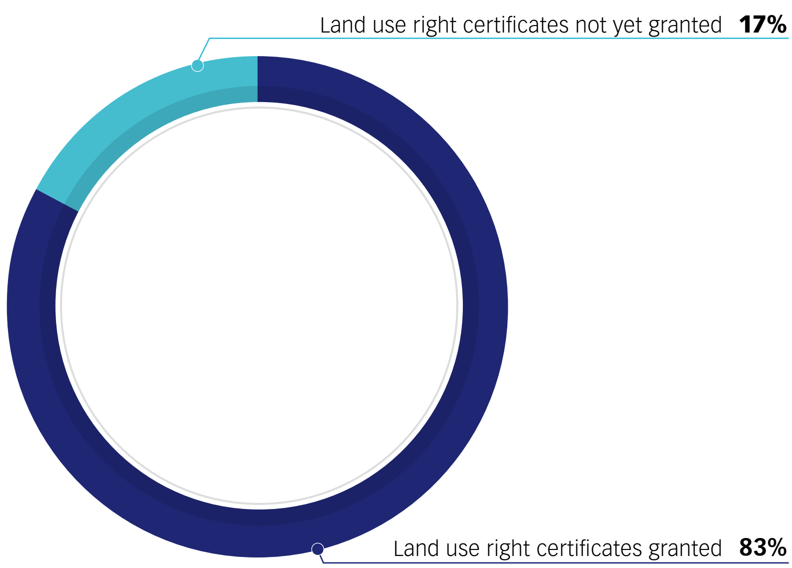
   (1) *Distribution of the Company's land reserves by current development status*

Fig: distribution of land under development and land held for future development in the Company's land reserves (as at 31 December 2016)



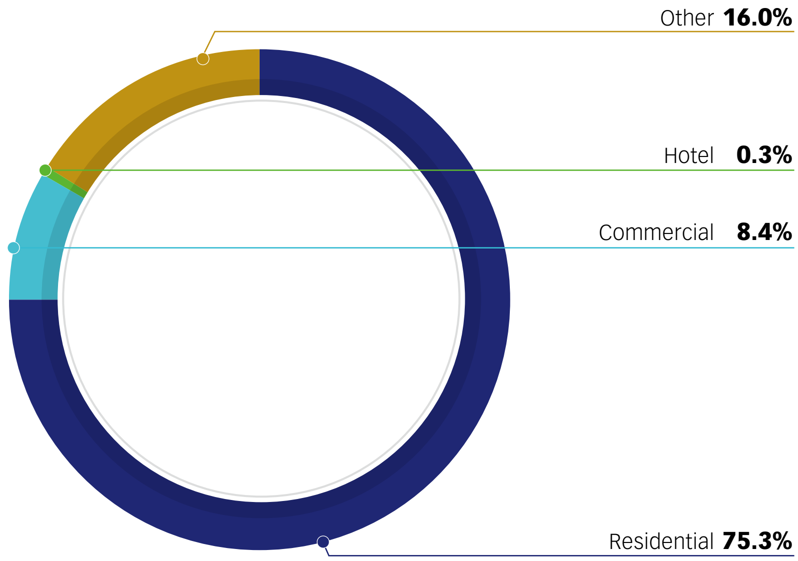
   (2) *Distribution of the Company's land reserves by land use right certificates*

Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted (as at 31 December 2016)



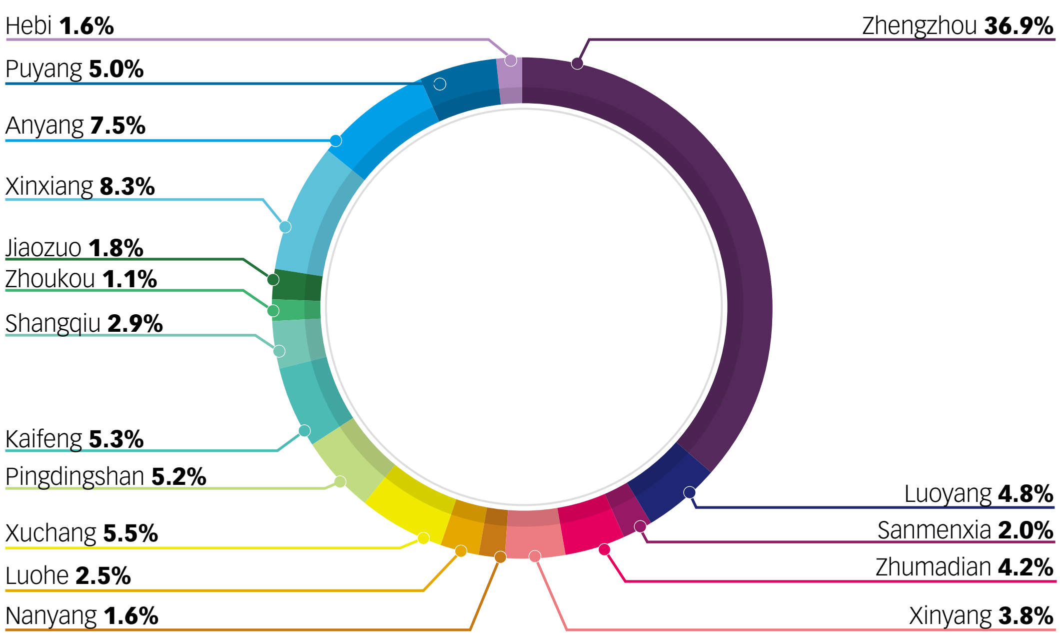
(3) *Distribution of the Company's land reserves by property types*

Fig: distribution of the Company's land reserves by property types (as at 31 December 2016)



(4) *Distribution of the Company's land reserves by cities*

Fig: distribution of the Company's land reserves by cities (as at 31 December 2016)



(IV) Product Research and Development

The Company always adheres to the general principles of serialisation, standardisation and commercialisation for product development, and progressively scales up its products to commercialised scale on a concrete foundation of serialisation and standardisation which the Company had laid for years. For product development of the Group, customers' experience has been considered as the essence, "green, low-carbon, energy-saving and technology" as the notion for research and development of product as well as design and construction.

Product Research, Development and Innovation

During the reporting period, the Company continuously deepened the architectural design in a detailed manner and, utilising internet means to monitor the charge of demands from customers for residential properties during different periods, developed a flexible product catering for the whole life cycle of customers. The "Platform for Product Standardisation, Design and Management" was established for regulating design and management procedures, compiling product data base and securing product quality by means of informatization. The Company has been diversifying its architectural design and employing the advanced building information modeling (BIM) technology in advance for our key projects. In addition, the Company conducted its study on residential projects based on its development concepts of "green, low-carbon and energy-saving" so as to minimise pollution from renovation works and resource wastage. Meanwhile, intelligent technological elements have been infused into our product design in order to show tender care for patrons with our products.

Serialisation, standardisation and commercialisation

During the reporting period, the Company continued to carry out in-depth research on product serialisation and standardisation. To maintain its strategic presence in Henan province, the Company, on the basis of its original series of products, developed a new series of product of Asian style in accordance with market conditions by way of continuous product innovation and iteration. Meanwhile, the Company closely monitored changes in market demand and lifestyle in order to enhance the standards of ancillary facilities for residential housing such as community facilities and module units.

As to commercialisation of residential properties, on the basis of mature serialisation, standardised products series and long term industrialised technology exploration, the Company researched and developed the technology standard. Through connection with large-scale domestic construction companies, the Company has set up a production base for prefabricated concrete structures jointly with a major domestic constructor to apply technology for commercialisation to design and construction of Tianzhu project and Blossom Garden project.

(V) Customer Service and Customer Relations

In 2016, the Company continued to transform into a "new lifestyle service provider" by providing personalised, customised and differentiated products and services, with an aim to create a new lifestyle to the customers.

During the reporting period, the Company established the "Jianye Junlin Club", thereby creating a common platform by the brand credibility of the Company as a bonding agent for life sharing, intelligence inclusion, commercial cooperation and win-win investments through sharing of quality internal and external resources of the Company with an aim to establish a new form of neighbour relationship and provide the members new diversified living services closely relating to quality life, business networking and investment cooperation.

During the reporting period, the Company has continued to enhance product quality by increasing customers' satisfaction, strengthening basic services, emphasizing risks management and strictly observing the requirements for joint acceptance inspection. In keeping with the "Improvement and Enhancement" campaign (琢玉行動), the Company carried out upgrades and improvements of the facilities and amenities of old housing complexes to improve their living environment and quality. Visits to property owners were organised to collect comments and opinions for receiving insight into demand of customers. The Company shifted its traditional way of property delivery to a smart mode of "mobile property inspection", broadening customers' experience and enhancing our customer service standards. In addition, the Company integrated its internal and external quality resources by launching an "E+ Family" APP to provide a series of online functions, such as smart doorlock, one-press for repair appointment and online shopping, establishing a new form of neighbour and harmonious smart community. The Company would pursue the continual increase of customers' satisfaction through managing and monitoring customers satisfaction works in phases.

BUSINESS OUTLOOK

(I) Market Outlook

(1) The Macro-economic Landscape

As seen in policy direction of the PRC government at the end of 2016, it is expected that a combination of policies that "maintaining prudent monetary policy, instigating more fiscal policy and undergoing accelerated reforms in key sectors" will be implemented in 2017. In relation to monetary policy, a prudent and neutral monetary policy will be implemented while keeping liquidity fundamentally stable by comprehensively employing various monetary tools. Macro-prudential policy framework will be further optimised for providing prudential practice guide to financial institutions. Fiscal policy aims to seek progress amid stability, and rapid expansion of "quasi-fiscal activities" and early introduction of public private partnership will be the key drivers; and the core domains of fiscal policy will be supply-side reforms, reduction in taxes and fees as well as safeguarding people's livelihood. "Instigating reforms" will be increasingly important in the coming year on the foundation of "preventing risks", and reforms of key domains, such as state-owned enterprises, taxation system and financial system may make a significant breakthrough. New sources of economic growth in China will play a more crucial role in 2017, transiting further to a new model. The Company expects that the Chinese economic growth, in general, tends to be stable.

With Zhengzhou being identified as a national central city, the approval obtained for national strategic plans, such as the launch of the Rise of Central China "13th Five-Year" Plan, Zhengluo New National Independent Innovation Demonstration Zone and Henan Free Trade Zone, further progress has been made on urban agglomeration in central China, Central Plains Economic Zone and new urbanization. The on-going planning and implementation of national strategies, such as Zhengzhou Aviation Port Economic Integration Trial Zone, have recognized Zhengzhou as a national high-speed rail hub under plan. The acceleration of multi-directional expansion of the high speed railway network, the rapid establishment of industrial park and on-going industrial migration will further enhance geographic and demographic benefits of Henan province as well as its strength in transportation, further improve industrial composition, further accelerate economic development and new urbanization, further optimize economic structure, further elevate effectiveness and quality of economic development and further expand industrial capacity and regional economic competitiveness. The Company expects the economic growth of Henan Province in 2017 will continue to be higher than the national economic average.

2. *The Property Market*

With a prudent and moderately tight monetary policy in 2017, the PRC government will emphasize "preventing risks and combating asset bubbles" in first and second-tier cities, but persist in inventory clearance in third and fourth-tier cities by striking an appropriate balance between supply and demand to improve market environment. In addition, the government will make significant progress on establishment of highly efficient and long-lasting mechanism for property market, regional integration and new urbanization. It is anticipated that sales volume of property market in general will drop slightly, performance of first and second-tier cities as well as red-hot cities in terms of transaction volume and prices will decrease to a small extent under adjustment and control measures adopted; while inventory clearance pressure in third and fourth-tier cities will be stably released with the support of inventory clearance policy, differentiated credit policy and urbanization.

In the long run, new urbanization in Henan province in a steady manner and the gradual implementation of various national strategic plans will enhance Zhengzhou's pivotal role in Henan province and demographic benefits, further accelerate economic development, industrial deployment and urbanization, and further enlarge demand for residential property in the region. Functions of prefecture-level and county level cities will be increasingly essential and industrial support will be enhanced, whereas development of property market is lagging behind, increase in product quality and enormous potential from elevated demand for housing, in addition to continual release of rigid demand for property, are expected to release demand for quality and improved products earlier.

The Company expects that inventory clearance of commodity housing in Henan province will stay positive in 2017, and accelerated release of potential for housing spending and housing upgrade will bolster an on-going and stable development of property market in Henan province.

(II) Business Planning

In 2017, the Company will make greater vigor in land acquisitions and land development as well as the profitability enhancement of key regions with an aim to achieve substantial growth in scale. In addition, co-branding partnerships will be formed for exploring creative marketing ideas to maintain a satisfactory annual performance of the Company, laying the Company a concrete foundation for sustainable and stable development.

1. *Construction Plans#*

In 2017, the Company plans to commence construction of a total of 52 projects or phases, with a GFA of approximately 5,461,366 sq.m..

City	Project name	Principal use of property	GFA planned for construction *(sq.m.)*
Zhengzhou	Tihome Jianye International City	Residential	272,230
Zhengzhou	Shangyue House	Residential	247,000
Zhengzhou	Wulong City	Residential	170,000
Zhengzhou	Anyong Project	Residential	226,373
Zhengzhou	Spring Time	Residential	188,245
Zhengzhou	Blossom Garden	Residential	182,564
Zhengzhou	Gongyi Nanguanzhuang Project	Residential	80,095
Zhengzhou	Zhengxi U-Town	Residential	107,827
Luoyang	Sweet-Scented Osmanthus Garden	Residential	76,642
Luoyang	Yanshi Forest Peninsula	Residential	70,218
Kaifeng	Chrysanthemum Garden	Residential	109,243
Kaifeng	Taihe House	Residential	52,462
Shangqiu	Shanshuihucheng	Residential	84,779
Shangqiu	Yongcheng U-Town	Residential	84,076
Zhumadian	Westlake Manor	Residential	113,664
Zhumadian	Xiping Forest Peninsula	Residential	50,426
Zhumadian	Eighteen Cities	Residential	267,441
Zhumadian	Xincai Baichengtiandi	Residential	75,085
Xinyang	Jianye City	Residential	98,314
Xinyang	North Lake U-Town	Residential	121,922
Pingdingshan	Eighteen Cities	Residential	181,276
Sanmenxia	New District Forest Peninsula	Residential	68,400
Sanmenxia	Code One City	Residential	121,716
Sanmenxia	U-Town	Residential	64,234

City	Project name	Principal use of property	GFA planned for construction (sq.m.)
Sanmenxia	Wugang Forest Peninsula	Residential	52,613
Luohe	Xicheng Forest Peninsula	Residential	70,273
Xuchang	Sweet-Scented Osmanthus Garden	Residential	105,235
Xuchang	Yanling Eco-City	Residential	143,790
Xuchang	Changge Spring Time	Residential	177,651
Anyang	Jianye City	Residential	108,541
Anyang	Tangyin Forest Peninsula	Residential	67,914
Jiyuan	Code One City-North Terrace	Residential	122,972
Puyang	Jianye New City	Residential	106,225
Puyang	Code One City	Residential	133,473
Xinxiang	Beverly Manor	Residential	169,632
Xinxiang	Code One City	Residential	98,863
Xinxiang	Eighteen Cities	Residential	131,611
Xinxiang	U-Town	Residential	73,223
Nanyang	Qilin Lake Project	Residential	74,459
Nanyang	Code One City	Residential	160,175
Zhoukou	Luyi Jianye City	Residential	117,769
Zhoukou	Forest Peninsula	Residential	67,462
Others			365,253
Total			5,461,366

2. *Completion Plans#*

The Group plans to complete 41 projects or phases with a completed GFA of 2,704,425 sq.m. for delivery in 2017.

City	Project name	Principal use of property	Planned completed GFA *(sq.m.)*
Zhengzhou	Tihome Jianye International City	Residential	76,340
Zhengzhou	Jiuru House	Residential	169,154
Zhengzhou	Tianzhu	Residential	172,899
Zhengzhou	Triumph Plaza	Commercial	210,738
Zhengzhou	Gongyi Code One City	Residential	104,932
Sanmenxia	U-Town	Residential	53,301
Luoyang	Sweet-Scented Osmanthus Garden	Residential	163,936
Luoyang	Poly Champagne International	Residential	107,100
Luoyang	Yanshi Forest Peninsula	Residential	44,533
Kaifeng	Chrysanthemum Garden	Residential	96,760
Kaifeng	Dongjingmenghua	Commercial	50,577
Shangqiu	Shanshuihucheng	Residential	44,705
Shangqiu	Yongcheng U-Town	Residential	97,443
Shangqiu	Zhecheng U-Town	Residential	40,733
Zhumadian	Eighteen Cities	Residential	187,157
Zhumadian	Xiping Forest Peninsula	Residential	47,524
Xinyang	Jianye City	Residential	72,699
Pingdingshan	Wugang Forest Peninsula	Residential	43,250
Luohe	Xicheng Forest Peninsula	Residential	59,077
Luohe	Code One City	Residential	56,484
Xuchang	Code One City	Residential	125,180
Anyang	Jianye City	Residential	98,546
Hebi	Sweet-Scented Osmanthus Garden	Residential	58,501
Hebi	Code One City	Residential	65,198
Xinxiang	Eighteen Cites	Residential	40,000
Zhoukou	Luyi Jianye City	Residential	116,052
Other			301,606
Total			2,704,425

Note:

Construction plans and completion plans may be adjusted in accordance with the approval progress by the government toward projects and other environmental factors.

RISK MANAGEMENT

The Company are committed to improve our risk management capability for ensuring on-going profitability and steady growth of our business.

Risk Management Philosophy of the Company

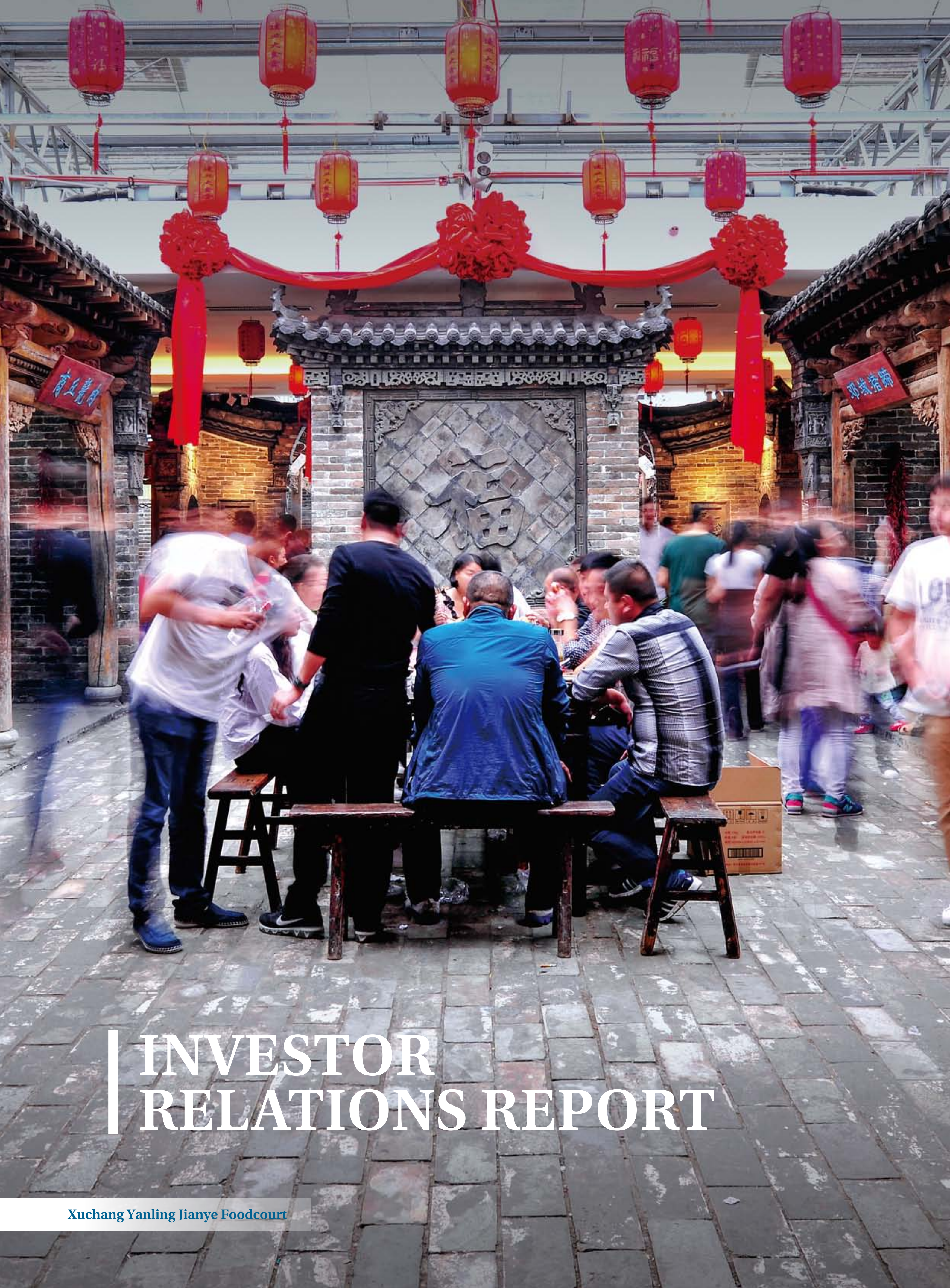
Risk is inherent in property market and the Company's business. The challenge is to identify risks and manage those risks to maximise benefit. We recognise that risk management is the responsibility of every staff within the Group. Rather than being a separate and standalone process, risk management is integrated into business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

Material Risks of the Group

During 2016, our business planning process has identified the following as material risks of the Company:

Risk Description	Risk Changes in 2016	Key Measures for Risk Management
Financial Risks		
The Company's credit ratings may be downgraded. A downgrade may trigger higher costs of corporate financing of the Company in the future.	With a decrease in net profit of the Company in 2016, there is a higher possibility that credit rating of the Company will be downward adjusted.	1. Strengthen and accelerate the stock clearance in third and fourth-tier cities so as to increase turnover rate and profit margin; and 2. Maintain sufficient undrawn credit facilities to meet the liquidity demand of the Company.
The Company may not meet its planned profit target.	Having been affected by market environment and government policies, recognized GFA sold and revenue may be lower than expectation.	1. Accelerate construction progress and meet criteria recognition as planned; and 2. Accelerate sales of properties which can be recognized.
Senior notes of the Company are denominated in USD and SGD, whereas the source of income of the Company is in RMB. RMB exchange rate volatility may expose the Company to foreign currency risk.	On-going depreciation in RMB against USD.	1. Hedge currency exposures in line with the Company's business model; and 2. Closely monitor the effects of RMB exchange rate volatility on the Company.

Risk Description	Risk Changes in 2016	Key Measures for Risk Management
Operational Risks		
Lack of land reserves and unfavourable progress in project development may fail to accomplish construction commencement plan, thereby affecting accomplishment of other operation goals.	Inadequate land reserves in some regions and longer development cycle of some projects.	1. Accelerate acquisition of quality land; and 2. Accelerate initial preparation works and development progress to shorten development cycle.
Slowdown in sales of completed properties may adversely affect cash return and capital turnover rate.	Sales performance of completed properties for sales is not satisfactory.	Formulate sales strategy and incentive measures for selling slow moving property inventory, such as villa, commercial building, office and basement, to accelerate inventory clearance.
Policy Risks		
Control policies on property market may be favourable or unfavourable to the Company's sales performance	Favourable policies implemented in the first three quarters of 2016 facilitated property sales of the Company, while its performance was slightly affected by the control policies since 30 September 2016.	1. Closely monitor changes in policies; 2. Adjust product structure in due course; and 3. Flexibly adjust sales schedule and strategy.



INVESTOR RELATIONS REPORT

Xuchang Yanling Jianye Foodcourt

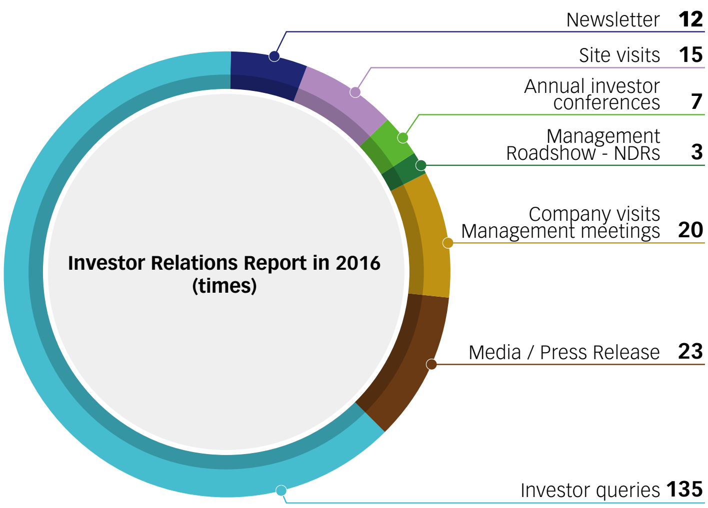
Investor Relations Report

The Group has been dedicated to maintain good relationships with investors, analysts, media and other stakeholders. The investor relations department of the Group strives to maintain good investor relations through transparent, timely and accurate information disclosure. Transparency and fairness in disclosure of corporate information is key to good and close relationships with all the parties.

In 2016, the Group's investor relations department proactively hold and participate in various investor relations activities, including interim and annual results announcements, site visits in Henan Province with investors or analysts, as well as post-results roadshows, non-deal roadshows (NDRs), reverse roadshows, investor forums and seminars, etc in Hong Kong, Singapore, Beijing, London, New York and Tokyo, etc, in order to broaden our investors base. The department also proactively maintained open communication with investors, analysts and rating agencies daily and update them about the Group's latest business performance and developments through various means, including company visits, phone conferences, replying questions by email, interviews with management, distributing monthly corporate newsletters and press releases and issuing voluntary announcements. All these also provided investors with a comprehensive knowledge and understanding of the Group's operating strategies, financial performance, business development and prospects. Interim and annual results reports, press releases, monthly corporate newsletters, monthly sales figures and announcements can be conveniently accessed at the Group's website, which provide investors with latest corporate development updates in timely manner.

MAJOR INVESTOR RELATIONS ACTIVITIES OF THE GROUP IN 2016

Date	Conference	Organizer	Location
6 January 2016	The Pulse of Asia Conference	DBS Vickers	Singapore
7 January 2016	Asia Pacific Financial, Property & Logistics Conference	BNP Paribas	Hong Kong
12 January 2016	DB Annual dbAccess China Conference 2016	Deutsche Bank	Beijing
5 April 2016	2015 Annual Results Investor Briefing	CCRE	Hong Kong
6 April 2016	2015 Post-Annual Results Management NDR	DBS Vickers	Hong Kong
7 April 2016	2015 Post-Annual Results Management NDR	DBS Vickers	Singapore
8 April 2016	2015 Post-Annual Results Management NDR	Standard Chartered Bank	Singapore
23–24 May 2016	dbAccess Asia Conference 2016	Deutsche Bank	Singapore
14 June 2016	NDR	Deutsche Bank	Sydney
23–24 June 2016	Asia-Pacific Property Conference 2016	Citibank	Hong Kong
6 July 2016	China Property Corporate Day	Deutsche Bank	Hong Kong
23 August 2016	2016 Interim Results Investor Briefing	CCRE	Hong Kong
24 August 2016	2016 Post-Interim Results Management NDR	Standard Chartered Bank	Singapore
25 August 2016	2016 Post-Interim Results Management NDR	DBS Vickers	Singapore
7 September 2016	Global Emerging Markets 1-on-1 Conference	Deutsche Bank	New York
8–9 September 2016	NDR	BNP Paribas/DBS Vickers	New York
23 September 2016	Standard Chartered Reverse Roadshow Meeting (Fixed Income)	Standard Chartered Bank	Hong Kong
27–28 September 2016	Credit and Equities Emerging Markets Conference	JP Morgan	London
29 September 2016	Equity NDR	Mizuho	London
10–11 November 2016	Nomura Asian High Yield Corporate Day	Nomura	Hong Kong
5 December 2016	Equity NDR	Mizuho	Tokyo



PROSPECTS

In the future, the Group will continue to be receptive to the market's views candidly and humbly. It will endeavor to maintain effective communication with stakeholders. As a way to gauge capital markets' perception of the Group, CCRE will continue to collect relevant research reports actively and will ponder on investors' concerns and advices in order to further enhance the Group's operating management and cooperate governance. Its investor relations department will maintain professionalism at its work so that shareholders will be able to gain a thorough understanding of the Group's business. This will help the Group attain fair value so as to benefit its development for the long term.

Zhengzhou Jiuru House

Zhengzhou Triumph Plaza

Xuchang Yanling Jianye Foodcourt

Zhengzhou Le Meridien Hotel

Environmental, Social and Governance Report

As the largest private enterprise in Henan province, the Company not only has the ambition to cultivate a top real estate brand in China, but also strives to become a reliable life partner for Henan community and its public. Since its establishment 24 years ago, the Company has been seeking for a balance between business development and social responsibility. To this end, it strikes a balance among environment, society and governance while enhancing its corporate value in a dedicated effort to become a good corporate citizen honouring its social responsibility.

WORKING ENVIRONMENT

Since its establishment, the Group has been committed to the alignment of corporate interest to the interest of its employees. A series of comprehensive protocols, systems and rules have been formulated to safeguard employees' interest, covering welfare measures such as competitive salary packages, staff care, comprehensive training and career development, universal social security fund scheme and labour contract management. The working hours and break time of the employees of the Company are fixed pursuant to the relevant requirements for working hours and breaks and leaves provided in the Chapter 4 of the Labour Law of the PRC. The policy on staff diversity is in compliant with the relevant requirements for promoting employment provided in the Chapter 2 of the Labour Law of the PRC. The policy on termination of employment between employees and the employer is conducted in accordance with the relevant requirements under the Labour Law, the Labour Contract Law and the Implementation Rules for the Labour Law of the PRC. The administration for social insurance and housing provident fund contribution for the employees was conducted in compliance with the relevant regulations under the Social Insurance Law of the PRC and the Regulations on the Management of Housing Provident Fund in Henan Province. Meanwhile, the labour union committee of the Group was established in June 2002 to protect the rights of the employees. A charity fund called "Family Relief Foundation" was also permanently set up to show our great care and provide relief for employees in need in honour of our great tradition of solidarity and mutual aid.

Overview

As at 31 December 2016, the Group had 2,467 employees with an annual turnover rate of approximately 15.6%. The numbers of employees by age, education level and function are set out as below:

By age

Age	Number of employees
20-30	1,153
31-40	969
41-50	281
51-60	54
61 or above	10
Total	2,467

By education level

Education level	Number of employees
Master degree or above	213
Bachelor degree	1,416
Associate degree	793
Middle school or below	45
Total	2,467

By function

Function	Number of employees
Finance and accounting	408
Engineering	396
Management	234
Design	116
Investment	82
Sale, marketing and customer service	801
Administrative	249
Others	181
Total	2,467

In order to promote healthy competition among employees and motivate them to enhance work performance, as part of our remuneration policy, the Company has introduced a performance appraisal and rating system and determines individual bonus, salary adjustment and redeployment based on the appraisal results. Employees that meet certain performance criteria in the annual performance appraisal will have the opportunity for bonus, pay rise or promotion. Moreover, the Company also pays great attention to employees' career development, assists them in making career development plans according to their specialties and skills, and prioritises promotion of outperforming employees pursuant to the Internal Competent Appointment Rules of CCRE in light of the fair promotion principle of "competence prevails".

Apart from employees' salaries and benefits, the Company also places emphasis on the internal workplace culture and thus always encourages employees to help and inspire each other so as to build a united and cohesive "Big CCRE Family". To this end, the Company founded the "Family Relief Foundation" with internal resources to offer support to employees in urgent financial needs, which fully embodies our spirit of solidarity.

Occupational Safety

Occupational safety has always been one of the Company's priorities in governance. To set up safety standards for construction projects, the Company has formulated a series of guidelines including the Engineering Management System of CCRE, the Construction Site Safety and Civilisation Standards of CCRE, the Required Inspection Items for Construction of CCRE and the Worker Protective Supplies Management Measures of CCRE, which detail the codes of practice at construction sites and operational instructions for machinery and equipment to prevent industrial accidents and ensure personal safety of the front-line staff. The system for occupational safety was implemented by the Company in accordance with the relevant laws and regulations including the Labour Law and the Construction Law of the PRC, the Regulations of Henan Province on the Administration of the Construction Market and the Regulations of Henan Province on Safety in Production. Besides seminars at construction sites, the Company also arranges occupational safety training for employees at all levels and regularly invites personnel of the fire services department to lecture on safety knowledge, thereby increasing the safety awareness of our employees. Meanwhile, the Company organises its employees to take a medical check-up annually to prevent occupational diseases due to daily work.

Skill Training

The Group cares for the career development of its employees on an ongoing basis, and employees are encouraged to learn and train continuously and to enhance their knowledge, skills, competence and qualification. The CCRE Academy, established in February 2009, aims to set up a comprehensive employee training system by enhancing courses, organising different types of training and arranging specific training classes regularly in order to provide support for employees in the area of career development and promotion.

During the reporting period, the core instructor team of the Company focused on forging specialty training courses in line with the strategic focus of the Group and creating synergy between online and offline interactions through our online platforms with an aim of form a learning community where everyone teaches and learns at the same time. Training projects, such as the "Project Major Leopard Fraternity" (專案總獵豹兄弟連) and sessions for project managers, marketing managers, human resources managers and financial manager were organised to enable adaptation to the need for rapid multidimensional developments and business transformation. Micro-sessions and animated infographs were used to attract employees' participation and arouse their interest.

Labour Standards

Since its establishment, the Company has been upholding core principles featuring fairness and compliance, and its personnel policies, salaries and benefits and business operation are in full compliance with PRC laws and regulations as well as industry standards. The Company has formulated transparent recruitment rules in accordance with the Recruitment Management System of CCRE in an effort to provide equal employment opportunities and create a fair and harmonious working environment. Moreover, the Company formulates its welfare policy on the basis of state regulations to ensure that female employees are entitled to their legitimate rights and interests including maternal leave, breastfeeding leave and Women's Day holiday, and in combination with strict workplace code of conduct, to eliminate gender discrimination and other injustices. As to labour standards, the Company's employment policy is in full compliance with the Labour Law, the Labour Contract Law, the Enterprise Labour Union Regulations and local labour regulations in China, stipulating the code of conduct for the management in recruiting employees and entering into employment contracts and forbidding recruitment of child labour, forced labour and other illegal acts.

ENVIRONMENTAL PROTECTION

In recent years, the worsening environmental pollution problems across the world lead to growing awareness of environmental protection in all sectors. As a leading real estate enterprise in Henan Province, CCRE always takes the lead in environmental protection by advocating the concept of green architecture, actively promoting green life culture and leading all its employees to earnestly protect the ecological environment.

Waste and Emission Reduction

The waste generated in the course of the Company's daily operation mainly includes construction waste, household trash and wastewater, and the emission of such waste always abides by national standards. For the disposal of waste, the Company always, pursuant to the requirements of relevant local authorities, conducts concentrated collection of construction and household waste and takes appropriate measures for recycling or disposal according to the waste category while household wastewater will undergo a precipitation process before discharged into municipal sewage network and the underground wastewater will be used for irrigation or be discharged into the municipal rainwater pipe network.

The Company fully understands that preventing waste from the source is essential for alleviating environmental pollution in the long run. To this end, the Company vigorously advances the industrialisation of property development and residential systems in Henan by setting up exemplary construction sites in various projects concerning industrialisation of property development and residential systems. The originally complex construction procedures are streamlined, changing the production processes by switching from distributive to concentrated interior design and centralizing the procurements and construction works performed, thereby reducing material consumption, waste emission, air and greenhouse gas emission and noise pollution, mitigating social costs. Meanwhile, the Company has established an environmental impact assessment mechanism in accordance with state regulations to assess the environmental impacts at all construction phases, and formulated the Emergency Response Measures to minimize the negative impact of construction projects on the surrounding environment. Next year, the Company will continue to step up its emission reduction initiatives and amend the waste management policy where needed in a bid to improve the effectiveness of waste reduction.

Environmental Protection and Energy Conservation

To facilitate the development of green architecture and promote green life culture, the Company has formulated the Green Architecture Measures of CCRE in accordance with the Evaluation Standards for Green Buildings issued by the Ministry of Housing and Urban-Rural Development of PRC, and issued the Green Manifesto of CCRE in 2010. We earnestly implement green building development plans by gradually using power-saving lighting, water-saving spray irrigation, rainwater collection system, geothermal heat pump and other tools and technologies, thereby comprehensively improving the effectiveness of environmental protection and energy conservation for our property projects. During the reporting period, four of our new projects, including Xinxiang Code One City and Jiaozuo Code One City, have successively passed the National Green Building Certification. As we hasten our footsteps in developing green buildings, our development strategies are also recognised.

A Green Supply Chain

The Group participates in the "Greed Supply Chain for PRC Real Estates Industry" jointly organised by See Conservation and the China Urban Realty Association. Officially kickstarted on 5 June 2016, the date of the World Environmental Day, the activity had over 70 participating entities pledging to manage its supply chain in accordance with a common procurement guideline and action plan in a bid to ensure green procurement and make the entire supply chain eco-friendly from raw materials sourcing, production processes and end consumption. As environmental efficiency and resource utilisation are enhanced, the relevant companies assume responsibility towards social development and environmental protection. The Group currently joins all four of the subgroups, namely the control group for steel and concrete and heavy pollution emission control, the task force for compliant wood sourcing, the control group for controlling formaldehyde emission by man-made wooden planes, and the group for chrome-free aluminium passivation.

OPERATIONAL GOVERNANCE

As a bellwether in the real estate industry in Henan Province, the Company is dedicated to consolidating its long-established leadership, considers operational governance as a reform priority and focuses on improving management effectiveness and maintaining competitive advantage while actively diversifying from real estate to live up to its service commitment of "From the land of Henan, for the people of China".

Supply Chain Management

The Company continues to concentrate its supply chain management efforts on managing and assessing suppliers, formulating the tender process, and monitoring and overseeing the supply chain. For example, supplier information is publicized on the tender and procurement website of the CCRE Group and covers more areas. For potential suppliers, a stringent assessment mechanism is in place to select the most appropriate suppliers by means of qualification examination, on-site inspection and sample tests. For suppliers and contractors with which we have cooperated, more on-site inspection is conducted on plants and construction site, and annual supplier evaluation and grading are carried out in order to create a ranked supplier management system and further reinforce the creation and control of the tender process. The CCRE Procurement Management System was amended to increase the transparency and efficiency of the tender process, as the companies selected in a bid should be of a higher standard in terms of quality, price and service in order to better serve the need of the principal business. Meanwhile, public reporting and complaint mechanisms are enhanced in their implementation through different channels so as to strengthen our monitoring and overseeing of the supply chain management.

Currently, the businesses developed by the Company cover such property types as residential housing, hotels and commercial properties. Suppliers come from a variety of areas. As at 31 December 2016, the numbers of suppliers by type of work are set out as below, among which about 64% had passed our inspection and accreditation.

Type of work	Number of suppliers
Land affairs	76
Design	312
Construction	1,909
Materials and equipment procurement	1,009
Quotes and market information	88
Management	2,309
Government agencies	305

Product Responsibility

Thanks to our rigorous product safety supervision procedures, the Company's construction projects have reached the industry's highest standards in terms of safety and weight resistance. The Company has formulated its product management policy pursuant to state regulations and industry standards, providing detailed guidelines on product repair, maintenance, testing and inspection with a focus on material examination and equipment testing in order to exercise all-round supervision on the production and construction process.

1. *Preparation*
   Submit project plans to authorities for approval

2. *Before Construction*
   Construction drawings are reviewed by a third-party expert to ensure compliance with national and industry standards

3. *Material Examination*
   Carefully choose suppliers of building materials, and strictly examine their certification documents subject to review by a professional third party

4. *During Construction*
   Engage an external consultant to closely monitor construction process and progress of the project

5. *Project Acceptance*
   Arrange inspection by relevant authorities and filing before completion

To meet expectations and needs of our customers, the Company has a well-established customer complaint mechanism, and will arrange maintenance professionals to follow up complaint cases and collect customer opinion later on so as to make sure that the problems are completely solved. Moreover, the Company also pays great attention to customer privacy, and has amended the Customer Information Management Measures during the reporting period, requiring all employees to strictly comply with the service guidelines thereof and prohibiting any divulgence by anyone of confidential customer information. The advertisements deployed and trademarks used by the Company were in compliance with the relevant laws and regulations including the Advertisement Law and Trademark Law of the PRC.

ANTI-CORRUPTION

The Group positively instills the service spirit of being honest and trustworthy with an aim at a good corporate image of CCRE. The Group requires every new employee to sign a Work Integrity Agreement, organises educational lectures about professional ethics and holds integrity oath ceremonies for all the employees regularly. Meanwhile, an interest report mechanism is in place to encourage the employees to exercise self-restraint, cultivating a corporate culture of fairness, transparency and honesty. Meanwhile, the Group has a whistle-blowing mechanism to encourage the employees, customers and partners to report any fraud, extortion, bribery and corruption through the Company's website, hotline or email, and will designate an officer to follow up such cases. Any employee breaching integrity is severely punished and such cases are circulated internally in the Group to set an example. Internal policies and guidelines were implemented to comply with the relevant anti-corruption laws and regulations.

CONTRIBUTION TO SOCIETY

Rooted in the PRC for 24 years, the Group adhered to the principle of basing itself in the country and promoting the well-being of its people. With the belief that housing changes Henan, we are committed to the enormous goal of building quality houses for the people of Henan. Meanwhile, the Group is also rooted in the corporate philosophy of giving back to society and promoting social progress in Henan, which has been its core value for over two decades. Just as what soil is to trees, society cultivates a business such that businesses are obliged to serve and give back to society in order to survive and proceed in its life cycle. For 24 years, the Group puts this principle into practice in good faith and performs its role duly as a corporate citizen, promoting the growth of Central China to widespread social recognition.

The Company upholds its corporate mission of "building quality houses for the people of Henan" and actively follows the national urbanisation plans to advance social development in Henan Province. So far, the Company has laid its business footprints across 18 prefecture-level cities and 33 county-level cities in Henan Province with an ambition to provide Henan people with the best housing and supporting services. In addition to its traditional housing projects, the Company also strives to extend presence in the field of public facilities including education, sports and green buildings, which not only speeds up its expansion but also improves local living level for mutual success.

CHARITY

In 2016, the Group decided to establish the Henan CCRE Sports Affair Development Fund specifically for the construction of sport stadiums in Henan, financing the erection of sport facilities in impoverished villages, building soccer playfields in primary and secondary schools in cities and villages, cultivating sport talents such as young footballers in Henan and promoting exchanges and development in sports in Henan, as an echo of our original intention in requiting our homeland as well as to show support for new forms of charity. In the year 2016, a donation for a total of RMB 150 million was made.

Henan Next Generation Foundation" is a charitable foundation established under the advocacy of the provincial committee and provincial government with the objective of providing care for the healthy growth of youngsters, nourishing humanism and promoting morality while relieving poverty. Since 2011, the Group has made commitment to a donation for a total of RMB 10 million over the course of 10 years. In 2016, a total of RMB 1 million was donated.

In 2016, the Group donated a sum of RMB 151 million for charity.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improve its corporate governance and disclosure practices. For the year ended 31 December 2016, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the "Corporate Governance Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exception of code provisions A.6.7 and E.1.2 as addressed below.

1. **Code provision A.6.7 — This code provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.**

   All Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

   Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang, all being non-executive Directors, and Mr. Xin Luo Lin and Mr. Muk Kin Yau, being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 17 May 2016 (the "2016 AGM") as they were out of town for other businesses.

2. **Code provision E.1.2 — This code provision requires the Chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meetings.**

   Mr. Wu Po Sum, being an executive Director and the chairman of the Board and the nomination committee of the Company, was unable to attend the 2016 AGM as he was out of town for other business.

   Mr. Xin Luo Lin, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the 2016 AGM as he was out of town for other business.

   In their absence, the other members of the Board, namely Ms. Yan Yingchun and Ms. Wu Wallis (alias Li Hua), and Mr. Cheung Shek Lun, being a member of the Board, the remuneration committee and the nomination committee, attended the 2016 AGM and answered questions raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board, which is chaired by Mr. Wu Po Sum, consists of three executive Directors and six non-executive Directors, three of whom are independent. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors who held office during the year and up to the date of this report include:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing (appointed on 24 March 2017)
Ms. Yan Yingchun

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh (Vice-chairman)
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Mr. Muk Kin Yau

Ms. Wu Wallis (alias Li Hua) is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the Directors are set out on pages 65 to 69 of this report.

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on or as an additional Director.

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. In accordance with article 87 of the Article of Association, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Puah Tze Shyang and Mr. Xin Luo Lin will retire and, being eligible, will offer themselves for re-election at the 2017 AGM. Mr. Liu Weixing, who was appointed as an executive Director with effect from 24 March 2017 to fill a casual vacancy on the Board, is also required to retire pursuant to article 86(3) of the Articles of Association and, being eligible, will offer himself for re-election at the 2017 AGM. All other Directors will continue in office.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and its Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. No such advice was sought during 2016.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the chairman of the Board (the "Chairman"), the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

BOARD MEETINGS AND GENERAL MEETING

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meeting to maintain an on-going dialogue with the Shareholders. For the year ended 31 December 2016, the Board held 4 regular meetings, 1 ad hoc meetings and 1 general meeting.

The number of Board meetings, committee meetings and general meeting attended by each Director from 1 January 2016 to 31 December 2016 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of meetings held	**5**	**2**	**1**	**1**	**1**
Mr. Wu Po Sum	5/5		1/1	1/1	0/1
Ms. Yan Yingchun	5/5				1/1
Mr. Lucas Ignatius Loh Jen Yuh	5/5	2/2			0/1
Mr. Puah Tze Shyang	5/5				0/1
Ms. Wu Wallis (alias Li Hua)	4/5				1/1
Mr. Cheung Shek Lun	5/5	2/2	1/1	1/1	1/1
Mr. Xin Luo Lin	4/5	2/2	1/1	1/1	0/1
Mr. Muk Kin Yau	4/5				0/1

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. No such advice was sought during 2016. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such issues.

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information such as monthly updates in relation to our businesses and have separate and independent access to senior management.

DIRECTORS' TRAINING

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year, the Company Secretary regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials.

In addition, every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his or her responsibilities under laws, regulations and especially the governance policies of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman is held by Mr. Wu Po Sum, and the position of Chief Executive Officer is held by Mr. Chen Jianye. After Mr. Chen's resignation on 24 March 2017, Mr. Yuan Xujun holds the position of Chief Executive Officer. These two separate positions have clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Chen Jianye, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group. After Mr. Chen's resignation on 24 March 2017, Mr. Yuan Xujun holds the position of Chief Executive Officer and continuously performs the above responsibilities.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the Corporate Governance Code, management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and relief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure the Group establish and maintain appropriate and effective risk management and internal control systems on an ongoing basis. The Group's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only.

The Group's risk management and internal control systems comprises, among others, the relevant financial, operational and compliance controls, internal circulation and handling of information. The Group clearly defines the authorisations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems.

In order to enhance our risk management and internal control, a guiding team for risk management and internal control has been established to carry out relevant works. A Three Lines of Defence system for risk management and internal control has been put in place, namely frontline defence in business operation, functional centralised defence in internal control and regulatory departments, and the independent oversight defence in the internal audit department. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time. An internal audit function is established to review and evaluate the Group's risk management and internal control systems and report directly to the Board and members of the audit committee (the "Audit Committee").

Internal monitoring and self-evaluation have been conducted in connection with the seven major business processes identified by the Group. Remedies for loopholes and inadequacies as reviewed during internal control and identified in independent audit have been proposed, which are followed up by the risk management department of the Group regularly in order to ensure the relevant remedial actions are performed on a timely basis. Review findings have been reported to the Audit Committee for further follow-up actions.

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Group, the internal audit function and external independent auditors in accordance with the protocol, and conducts a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures at least annually. The internal audit department of the Group carried out independent assessment on the risk management and internal control systems of the Group. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2016. The Board also reviewed the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget and was satisfied with their adequacy.

The Board with the concurrence of the Audit Committee reviews the risks to the Company and acts upon any comments from the internal audit function and external auditors. Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of risk management systems. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The risk management systems of the Group are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Group regarding the effectiveness of the risk management systems of the Group.

The Group positively instills the service spirit of honesty and integrity, with an aim at maintaining a good corporate image of CCRE. The Group requires every new employee to sign a Work Integrity Agreement, organizes educational lectures about professional ethics and holds integrity oath ceremonies for all the employees regularly. Meanwhile, an interest report mechanism is in place to encourage the employees to exercise self-restraint, cultivating a corporate culture of fairness, transparency and honesty. Meanwhile, the Group has a whistle-blowing mechanism to encourage the employees, customers and partners to report any fraud, extortion, bribery and corruption through the Company's website, hotline or email, and will designate an officer to follow up such cases. Any employee breaching integrity is severely punished and such cases are circulated internally in the Group to set an example.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") to oversee the relevant aspects of the Company's affairs. The three Board committees are provided with sufficient resources to discharge their duties.

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Xin Luo Lin, Mr. Lucas Ignatius Loh Jen Yuh during the year ended 31 December 2016. None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external independent auditors and to approve the remuneration and terms of such appointments;

- To review and monitor the independence and objectivity of the external independent auditors and effectiveness of the audit process in accordance with applicable standards;

- To review the Company's financial controls, risk management and internal control systems and other major financial matters;

- To review the Group's financial and accounting policies and practices, and to monitor the Company's financial operation and core business status;

- To ensure that the management has fulfilled its duties and the Group's strategic objectives to maintain an effective risk management and internal control systems;

- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and

- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee held two meetings during 2016 and conducted the following activities:

(i) reviewed the Group's financial results for the year ended 31 December 2015 and interim results for the six months ended 30 June 2016;

(ii) reviewed the audit plans and findings of the external auditor;

(iii) reviewed the internal control and financial matters pursuant to its terms of reference; and

(iv) made recommendation to the Board on the re-appointment of the external auditor and their remuneration.

Under the amendments to the Corporate Governance Code, the section of "Oversee of Risk Management Functions" was adopted into the audit committee's terms of reference and approved by the Board on 31 March 2016. The Audit Committee has reviewed the risk management and internal control systems of the Group as well as considered and identified risks of the Group subsequent to 31 December 2016 and will continuously monitor the systems on a regular basis.

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any Issues arising from audit and any other matters the external auditor may wish to raise.

For the year ended 31 December 2016, the external independent auditors' remuneration to the Group's auditor in respect of annual audit and Interim review services provided to the Group amounted to approximately RMB4.1 million and RMB0.9 million. The remuneration to the local statutory auditors is set out in notes 6(c) to the financial statements. During the year, service fee to external independent auditor for the issue of the US$200 Million Senior Notes (as defined below) amounted to approximately RMB350,000.

The Company's annual results announcement dated 24 March 2017 for the year ended 31 December 2016 has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 29 March 2012 with written terms of reference as suggested under the code provision in the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Nomination Committee), Mr. Cheung Shek Lun and Mr. Xin Luo Lin, a majority of whom are independent non-executive Directors.

The primary duties of the Nomination Committee include: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and to make recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company; (ii) identifying and nominating qualified individuals to act as Directors and to make recommendations to the Board regarding such matters; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the Chief Executive Officer; and (v) reviewing the Board Diversity Policy (as defined below), and the implementation of the progress targets set by such policy.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director's nomination and other nomination policy matters.

The Nomination Committee held one meeting during 2016 and conducted the following activities:

(i) reviewed the nomination policy of the Directors;

(ii) reviewed the reappointment of Directors at the 2016 AGM;

(iii) assessed the independence of independent non-executive Directors; and

(iv) reviewed the revised terms of reference of the Nomination Committee.

The Company has adopted the Board Diversity Policy with effect on August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the Nomination Committee, the Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Corporate Governance Code. The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Xin Luo Lin (the chairman of the Remuneration Committee) and Mr. Cheung Shek Lun, and the Chairman and an executive Director, Mr. Wu Po Sum, during the year ended 31 December 2016.

The primary duties of the Remuneration Committee include (but not limited to) (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the terms of the specific remuneration package of individual executive Directors and senior management; and (iii) reviewing and approving remuneration proposal by reference to corporate goals and objectives resolved by the Directors from time to time.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The entire Directors' remuneration is reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee held one meeting during 2016 and conducted the following activities:

(i) reviewed the remuneration policy of the Group and Directors' remunerations; and

(ii) reviewed and approved the remuneration package of individual executive Directors and senior management.

To comply with the Listing Rules, Mr. Xin Luo Lin, an independent non-executive Director, was appointed as the chairman of the Remuneration Committee.

COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals Thereat

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

(1) One or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(2) The requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

(3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.

(5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, the Shareholder(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by him/her/them as a result of the failure of the Board shall be reimbursed to the shareholder(s) by the Company.

Proposals for Proposing a Person for Election as a Director

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose a person (the "Person") for election as a Director by lodging the following documents at the Company's place of business in Hong Kong at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong:

(1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and

(2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

Procedures for Raising Enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy:

(1) Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

(2) Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary or the Chief Financial Officer whose contact details are as follows:

Central China Real Estate Limited
Room 7701B–7702A,
77th Floor, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong
Telephone: (852) 2620 5233
Fax: (852) 2620 5221
Email: general@centralchina.com

(3) Shareholders may also make enquiries with the Board at the general meetings of the Company.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

The Company's Memorandum of Association and Articles of Association is available on both the websites of the Company and the Stock Exchange. There had been no changes in the constitutional documents of the Company during the year ended 31 December 2016.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published on the Company's website.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wu Po Sum (formerly known as Hua Jianming), aged 66, is an executive Director, the Chairman of the Board and the founder of the Group. He is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of the Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wu Wallis (alias Li Hua), a non-executive Director.

Mr. Wu has over 24 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the "Jianye" ("建業") brand name. Mr. Wu devotes himself not only to the development of the Group's business, but also to public services and promoting the PRC real estate industry.

Mr. Wu is currently a director of CURA Investment Management (Shanghai) Co., Ltd, a company listed on National Equities Exchange and Quotations Co., Ltd. (also known as the "PRC New Third Board").

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Liu Weixing, aged 57, was appointed as an executive Director with effect from 24 March 2017. Mr. Liu joined the Company in August 2016 as vice president of the Company and the chairman of Central China Real Estate Group (China) Company Limited, a wholly owned subsidiary of the Company.

Mr. Liu has over 35 years of experience in banking and finance. He obtained a certificate of graduation in banking management from Henan Banking College* (河南銀行學校) in 1979, a certificate of graduation in financial management from Zhengzhou University in 1983, a master degree in economics from Henan University in 1998 and a certificate of graduation in law from Tsinghua University in 2005. Mr. Liu held positions of officer and vice division chief responsible for industrial and commercial credit facilities Luoyang Region Center Branch of People's Bank of China from 1979 to 1984. Mr. Liu held several positions in Industrial and Commercial Bank of China from 1985 to August 2016, including vice president of Luoyang Region Center Branch, vice president of Sanmenxia City Branch, officer of Henan Province Branch, assistant to president of Henan Province Branch, vice president of Henan Province Branch, president of Anhui Province Branch, president of Chongqing City Branch, president of Henan Province Branch and head of Internal Audit Department of Main Branch.

Yan Yingchun, aged 57, is an executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. She obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000. Ms. Yan has over 24 years of experience in financial management. Before joining the Group in February 1992, she worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, Ms. Yan served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. She has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of Central China Real Estate Group (China) Company Limited since joining the Group.

Ms. Yan has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Director's report in this annual report.

NON-EXECUTIVE DIRECTORS

Lucas Ignatius Loh Jen Yuh, aged 50, is a non-executive Director and the vice-chairman of the Board. He is also a director of a number of subsidiaries of the Company.

Mr. Loh is the Chief Executive Officer ("CEO") of CapitaLand China Holdings Pte Ltd ("CapitaLand China"). CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand", together with its subsidiaries, "CapitaLand Group"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and integrated developments in China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd, a substantial shareholder of the Company.

Mr. Loh joined CapitaLand Group in September 2001 and has been based in China since August 2004. Prior to his appointment as CEO, he was the Deputy CEO cum Chief Investment Officer as well as Regional General Manager for South China of CapitaLand China. He has also held several appointments within CapitaLand Group, including Managing Director for China of The Ascott Limited ("Ascott"). During his term with Ascott from August 2004 to July 2007, Mr. Loh successfully led Ascott to win top spot in China's prestigious 'Top 100 Serviced Residences' Ranking' for two consecutive years and grew its business from 8 to 22 properties across 10 cities in China. In 2007, he joined CapitaLand China and was instrumental in transforming its business in the South China region. He was also responsible for CapitaLand China's real estate financial business, including the Raffles City China Fund and CapitaLand China Development Fund with a combined fund size of US$2.3 billion. Mr. Loh started his career in real estate in 1991. Prior to joining CapitaLand Group, Mr. Loh was the Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, leading its private equity investment business in the Asia Pacific region.

Mr. Loh holds a Bachelor of Science (Second Class Upper Honours) degree in Estate Management from the National University of Singapore. He also holds a Master of Business Administration degree from Oklahoma City University and attended the Advanced Management Program at Harvard Business School in 2013.

Mr. Loh is currently a non-executive director of Lai Fung Holdings Limited, a company listed on the Stock Exchange.

Mr. Loh has interests in the shares and debentures of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Puah Tze Shyang, aged 45, is a non-executive Director. He is also a director of a number of subsidiaries of the Company.

Mr. Puah is the Chief Investment Officer and the Regional General Manager, Southwest China ("RGM Southwest China") of CapitaLand China. CapitaLand China is a wholly owned subsidiary of CapitaLand Limited, one of Asia's largest listed real estate companies, headquartered and listed in Singapore. CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and integrated developments in China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd., a substantial shareholder of the Company.

As CapitaLand China's Chief Investment Officer, Mr. Puah is responsible for CapitaLand China's real estate investments, asset management and investment platforms. The investment platforms include the Raffles City China Fund, CapitaLand China Development Funds, CapitaLand Township Funds and Raffles City China Investment Partners III, with combined capital commitments of US$3.7 billion. Concurrently, as RGM Southwest China, Mr. Puah oversees a combined portfolio of seven residential projects and one integrated development in Chengdu, Wuxi, Xi'an and Shenyang. Mr. Puah also served as alternate council member for the Singapore-Sichuan Trade and Investment Council (SSTIC), as well as the Singapore-Liaoning Economic and Trade Council (SLETC). Mr. Puah joined Surbana Corporation Pte Ltd ("Surbana Corporation") in July 2003. Surbana Corporation became known as CapitaLand Township Holdings Pte. Ltd. ("CapitaLand Township") after CapitaLand acquired a 40% stake in it in 2011, and CapitaLand subsequently raised its stake in CapitaLand Township to 100% in March 2015. From 2010 to March 2015, Mr. Puah was the Chief Executive Officer of CapitaLand Township Pte. Ltd. (formerly known as Surbana International Investment Pte. Ltd. from October 2006 to May 2007, and Surbana Land Pte. Ltd. from May 2007 to April 2013), a subsidiary of CapitaLand Township. On a regional basis, he has led the team to gross over RMB22 billion of residential sales, with La Botanica Township becoming the best-selling project in terms of residential unit sales in Xi'an from 2014 to 2016; Botanica Township was one of the top 10 best-selling projects in Chengdu in 2010. Under his stewardship, CapitaLand was also placed sixth in total residential sales for Chengdu city in 2016. Mr. Puah started his career in real estate in 1997. Prior to joining Surbana Corporation, Mr. Puah was an Executive Engineer in the Housing and Development Board of Singapore ("HDB"), and he later helmed HDBuilders.com, a construction portal offering e-collaboration and e-procurement services for the real estate industry in Singapore. He was the industry pioneer for e-bidding for construction materials, having managed over S$350 million in online auctions during his time at HDBuilders from 2000 to 2003.

Mr. Puah received an overseas undergraduate scholarship from HDB and obtained his Masters of Engineering (First Class Honours) degree in Electrical and Electronic Engineering from Imperial College of Science, Technology and Medicine in 1997. He was later awarded a Post-graduate scholarship from Surbana Corporation and obtained his Executive Masters of Business Administration (Honours) degree from Chicago Booth School of Business in 2010.

Wu Wallis, alias Li Hua, aged 35, is a non-executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture Degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, an executive Director and the Chairman of the Board.

Ms. Wu has interests in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun, aged 56, is an independent non-executive Director. He obtained a Bachelor Degree in Business Administration from the Chinese University of Hong Kong in 1986, a Bachelor Degree in Business from the University College of Southern Queensland in 1990, and a Bachelor Degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president — accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007 and the vice-chairman of InsiteAsset Management Group Ltd. since September 2008. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries.

Xin Luo Lin, aged 67, is an independent non-executive Director. He was a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. He is an independent investor with over 23 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997, respectively. He is a Justice of Peace in New South Wales of Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited from August 2010 to June 2012, an independent non-executive director of China Environmental Technology Holdings Limited from August 2012 to May 2015 and a non-executive director of China Trends Holdings Limited from August 2015 to May 2016, the shares of those companies are listed on the Stock Exchange. Mr. Xin was an independent non-executive director of Enerchina Holdings Limited, the shares of which is listed on the Stock Exchange from June 2002 to May 2015 and was a non-executive director from May 2015 to June 2016. He is currently a non-executive director of Asian Capital Holdings Limited, an independent non-executive director of Beijing Sports And Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) and Sinolink Worldwide Holdings Limited, the shares of those companies are listed on the Stock Exchange. Mr. Xin also serves as a director of Asian Growth Capital Co Ltd. (formerly known as Mori Denki Mfg. Co., Ltd.), a company listed on the Tokyo Stock Exchange and a director and vice chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

Muk Kin Yau, aged 54, is an independent non-executive Director. He obtained a Bachelor of Science Degree (Civil Engineering) from Leeds University in 1983, a Master of Science Degree (Civil Engineering) from Massachusetts Institute of Technology in 1985 and a Master of Business Administration Degree from National University of Singapore in 1992. Mr. Muk worked as an engineer in Mass Rapid Transit Corporation, Singapore from December 1984 to October 1989, a manager in Construction Industry Development Board (now Building Construction Authority) of Singapore from November 1989 to March 1992, a manager in Strait Steamship Land (now Keppel Land) from March 1992 to April 1994 and the Managing Director in GIC Real Estate Pte Ltd from April 1994 to July 2009.

SENIOR MANAGEMENT

Chen Jianye (resigned on 24 March 2017), aged 60, is the Chief Executive Officer of the Company. The appointment has no specified term. He was the chief operating officer of the company since 27 December 2011. He joined the Group in 2007 and held a number of positions in the Group including the director, executive vice president and general manager, and president of Investment Development Centre of the Group. He obtained a Bachelor degree in Engineering from Heilongjiang College of Commerce* (黑龍江商學院) in 1982 and a Master degree in Business Administration from China People's University* (中國人民大學) in June 1998. Mr. Chen was a deputy manager of the office and the head of the science and technology department of Henan Oil Company* (河南省石油公司) from 1982 to 1987, a deputy director of the enterprise management department and a project assessment director of China Construction Bank Corporation, Henan Branch (中國建設 銀行股份有限公司河南省分行), and a general manager of China Construction Bank Corporation, Anyang Branch (中國建設銀行股份 有限公司安陽分行) from 1988 to 2002, and a general manager of Henan High-tech Venture Investment Holdings Limited* (河南高科技創業投資股份有限公司) from 2003 to 2006.

Mr. Chen has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Yuan Xujun, aged 49, has been appointed as chief executive officer of the Company with effect from 24 March 2017. Mr. Yuan has over 20 years of experience in finance and management. He obtained a certificate of graduation in finance from Shanghai Motor Technical College in 1986 and a master degree in business administration from Macau University of Science and Technology in 2001. Mr. Yuan held several positions in China Vanke Co., Ltd. ("Vanke") from 1994 to January 2017 with his last position as general manager and legal representative of the companies under Vanke. He joined the Company in February 2017 as the president of Central China Real Estate Group (China) Company Limited, and the chairman of Henan Zhongyuan Central China City Development Limited* (河南中原建業城市發展有限公司), a wholly owned subsidiary of the Company.

Hu Bing (resigned on 24 March 2017), aged 40, is the Chief Financial Officer of the Company. Mr. Hu is a Certified Public Valuer and obtained the Master degree in Business Administration from Guanghua School of Management of Peking University in 2004. He has joined the Group since 2004. After joining the Group, he had held a number of positions including assistant to the general manager, deputy general manager, general manager, deputy director (project management) of Financial Management Center, director of Financial Management Center and general manager of (Budget Planning Department), vice president of the Group and general manager of Financial Management Center (responsible for finance and cost center), and vice president of the Group and general manager of Financial Management Center. Prior to joining the Group, Mr. Hu was a project manager in Shenzhen Sinocoms Appraisal Company Limited from 1997 to 2001 and worked in Beijing Zhongdingxing Financial Consulting Limited from 2001 to 2002.

Hu Ping, aged 35, has been appointed as chief financial officer of the Company with effect from 24 March 2017. Mr. Hu, has over 10 years of experience in management and finance. He graduated from Qingdao Technological University with a major in accounting in 2002 and obtained a master of accounting from Jiangxi University of Finance and Economics in 2006. Mr. Hu held several positions in Vanke from 2006 to February 2017 with his last positions as manager of the companies under Vanke.

Directors' Report

The Board presents the annual report together with the audited financial statements of the Group for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property development in the People's Republic of China.

BUSINESS REVIEW

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 from 14 to 41 of this annual report. Key performance indicators are set out on page 13 of this annual report. In addition, discussions on the Group's environmental policies and relationships with its key stakeholders are set out in the "Environmental, Social and Governance Report" on pages from 45 to 51 of this annual report. These contents form part of this "Directors' Report".

SEGMENT INFORMATION

Management considers there to be only one operating segment under the requirements of HKFRS 8.

FINANCIAL STATEMENTS

The Group's profit for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 83 to 198 of this annual report.

RESULTS AND DIVIDENDS

Profits attributable to shareholders, before dividends, of RMB402,973,000 (2015: RMB801,290,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The Board resolved not to recommend an interim dividend for the six months ended 30 June 2016 (2015: Nil). The Directors resolved not to recommend a final dividend (2015: HK11.61 cents per share) for the year ended 31 December 2016.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Friday, 19 May 2017 (both days inclusive), during which period no transfer of shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 16 May 2017, for registration.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 199 and 200 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year under review are set out in notes 12 and 13 respectively to the financial statements.

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of approximately RMB27 million which has been charged directly to the Consolidated Income Statement.

ISSUANCE OF SENIOR NOTES

On 1 November 2016, the Company issued senior notes due 2021 with principal amount of US$200,000,000 at a coupon rate of 6.75% per annum (the "US$200m Senior Notes") for the purposes of refinancing indebtedness of the Company and for general corporate purposes. Further details relating to the issue of the US$200m Senior Notes are disclosed in the announcements of the Company dated 31 October and 1 November 2016. The issuance was completed on 8 November 2016 and the US$200m Senior Notes started bearing interest on that date.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 32(a) to the financial statements. No share was issued during the year of 2016.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 32 to the financial statements and in the Consolidated Statement of Changes in Equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, purchases from the Group's five largest suppliers (excluding purchases of land) accounted for less than 30% of the Group's total purchases and purchases from the largest supplier (excluding purchases of land) amounted to approximately 9% of the Group's total purchases. Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover and sales to the largest customer amounted to approximately 1% of the Group's total turnover.

Save as disclosed in the consolidated financial statements, to the best knowledge of the Directors, none of the Directors or chief executive of the Company or any Shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors in office during the year ended 31 December 2016 and up to the date of this report are as follows:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing (appointed on 24 March 2017)
Ms. Yan Yingchun

Non-Executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice Chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-Executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Mr. Muk Kin Yau

In accordance with Article 87 of the Articles of Association of the Company, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Puah Tze Shyang and Mr. Xin Luo Lin will retire from office by rotation at the 2017 AGM and, being eligible, offer themselves for re-election. Mr. Liu Weixing, who was appointed as an executive Director with effect from 24 March 2017 to fill a casual vacancy on the Board, is also required to retire pursuant to article 86(3) of the Articles of Association and being eligible, will offer himself for re-election at the 2017 AGM.

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 65 to 69 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Po Sum and Ms. Yan Yingchun has entered into a service contract with the Company pursuant to which he/she agreed to act as executive Director for a term of three years with effect from 6 June 2014. Mr. Liu Weixing has entered into a service contract with the Company pursuant to which he agreed to act as an executive Director for a term of three years with effect from 24 March 2017.

Ms. Wu Wallis (alias Li Hua) has signed a letter of appointment dated 6 June 2014 with the company pursuant to which he/she agreed to act as non-executive Director for a term of three years with effect from 6 June 2014. Mr. Lucas Ignatius Loh Jen Yuh has signed a letter of appointment dated 1 October 2014 with the Company pursuant to which he agreed to act as non-executive Director for a term of three years with effect from 1 October 2014. Mr. Puah Tze Shyang has signed a letter of appointment dated 1 April 2015 with the Company pursuant to which he agreed to act as non-executive Director for a term of three years with effect from 1 April 2015.

Mr. Cheung Shek Lun has signed a letter of appointment dated 6 June 2014 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2014. Mr. Xin Luo Lin has signed a letter of appointment dated 1 March 2016 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 March 2016. Mr. Muk Kin Yau has signed a letter of appointment dated 1 August 2016 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 August 2016.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 36 to the financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016, nor any transaction, arrangement or contract of significance has been entered into during the year ended 31 December 2016 between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

All Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the remuneration committee of the Company. Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in notes 8 and 9 to the financial statements.

For each of years 2015 and 2016, senior management of the Company comprises 5 individuals. The emoluments of senior management fell within the following bands:

Emolument band	**Number of individuals**		
	2016	2015	2014
RMB500,001 to RMB1,000,000	**1**	1	1
RMB1,500,001 to RMB2,000,000	**1**	2	1
RMB2,000,001 to RMB2,500,000	**1**	1	2
RMB2,500,001 to RMB3,000,000	**1**	1	–
RMB3,500,001 to RMB4,000,000	**1**	–	–

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

As at 31 December 2016, the interests and short positions of the Directors and chief executives in the shares (the "Shares"), underlying shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows or as disclosed under the section headed "Share Option Schemes" below:

(a) Long positions in the Shares:

Name of Director or chief executive	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[4]
Mr. Wu Po Sum	Interest in a controlled corporation	1,146,315,639 [1]	46.94%
	Beneficial owner	2,050,400 [2]	0.08%
Ms. Yan Yingchun	Beneficial owner	500,000 [2]	0.02%
Ms. Wu Wallis (alias Li Hua)	Interest of spouse	3,000,000 [2,3]	0.12%
Mr. Chen Jianye (resigned on 24 March 2017)	Beneficial owner	6,132,000 [2]	0.25%

(b) Long positions in the Debentures:

US$200,000,000 aggregate principal amount of its 8.0% Senior Notes due 2020 (the "US$200 Million Senior Notes due 2020")

Name of Director	Capacity and nature of interest	Amount of debentures held	Approximate percentage of the interest in the US$200 Million Senior Notes due 2020[5]
Mr. Lucas Ignatius Loh Jen Yuh	Beneficial owner	US$500,000	0.25%

Notes:

1. The 1,146,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"), a company wholly owned by Mr. Wu Po Sum. Accordingly, he was deemed to be interested in the 1,146,315,639 Shares by virtue of the SFO.

2. Such interest in the Shares is held pursuant to the share options granted under the Share Option Scheme (as defined below), the details of which are disclosed pages 76 to 77 of this annual report.

3. 3,000,000 Shares are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's Shares for the purposes of the SFO.

4. The percentage of the interest in the Company's issued share capital is based on a total of 2,442,270,760 Shares of the Company in issue.

5. The percentage of the interest in the USD Senior Notes is based on the aggregate principal amount of US$200,000,000.

Save as disclosed above or under the section headed "Share Option Schemes" below, as at 31 December 2016, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the company and the Stock Exchange pursuant to the Model code.

SHARE OPTION SCHEMES

The shareholders of the Company (the "Shareholders") conditionally adopted the share option scheme (the "Share Option Scheme") pursuant to the written resolutions dated 14 May 2008. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 6 June 2008, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executives, or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 31 December 2016, share options to subscribe for 29,117,720 Shares (representing approximately 1.19% of the issued share capital of the Company as at the date of the 2016 annual report of the Company dated 24 March 2017) remained outstanding.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The Share Option Scheme will expire on 13 May 2018.

Movements of the share options granted by the Company under the Share Option Scheme during the year from 1 January 2016 to 31 December 2016 were as follows:

			Number of share options granted under the Share Option Scheme				
Name or category of participants	**Date of grant**	**Exercise price per Share**	**As at 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2016**
Directors							
Mr. Wu Po Sum	25 May 2010	HK$1.853	2,050,400	–	–	–	2,050,400
Ms. Yan Yingchun	27 March 2013	HK$2.560	500,000	–	–	–	500,000
Ms. Wu Wallis (alias Li Hua)	27 March 2013	HK$2.560	1,500,000	–	–	–	1,500,000
			4,050,400	–	–	–	4,050,400
Chief Executive Officer							
Mr. Chen Jianye (resigned on 24 March 2017)	25 May 2010	HK$1.853	1,132,000	–	–	–	1,132,000
	25 July 2011	HK$2.160	5,000,000	–	–	–	5,000,000
Senior Management, other employees and consultants of the Group	25 May 2010	HK$1.853	4,615,560	–	–	–	4,615,560
	25 July 2011	HK$2.160	1,500,000	–	–	–	1,500,000
	27 March 2013	HK$2.560	16,569,760	–	–	(3,750,000)	12,819,760
			28,817,320	–	–	(3,750,000)	25,067,320
			32,867,720	–	–	(3,750,000)	29,117,720

Note: In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010, 25 July 2011and 27 March 2013 (the "Dates of Grant"), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.

The initial exercise price of the share options granted on 25 May 2010 under the Share Option Scheme was HK$1.9 per Share and was adjusted to HK$1.853 per Share on 28 June 2011 as a result of and following the Rights Issue conducted by the Company.

Additional information in relation to the Share Option Scheme is set out in note 30 to the financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 31 December 2016, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Share Option Schemes" above, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[1]
Joy Bright	Beneficial owner	1,146,315,639 [2]	46.94%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)")	Beneficial owner	658,116,228 [3]	26.95%
CapitaLand China	Interest in a controlled corporation	658,116,228 [3]	26.95%
CapitaLand China Investments Limited ("CapitaLand China Investments")	Interest in a controlled Corporation	658,116,228 [3]	26.95%
CapitaLand Limited ("CapitaLand")	Interest in a controlled corporation	658,116,228 [3]	26.95%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Interest in a controlled corporation	658,116,228 [3]	26.95%

Notes:

1. The percentage of the interest in the Company's issued share capital is based on a total of 2,442,270,760 Shares in issue.

2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 1,146,315,639 Shares held by Joy Bright for the purposes of the SFO.

3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 41.06% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

Save as disclosed above, as at 31 December 2016, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Mr. Wu Po Sum & Joy Bright

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling Shareholder) and Joy Bright (the controlling Shareholder which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking A") in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or Joy Bright will not and will procure his or Joy Bright's associates not to engage, directly or indirectly, whether as a Shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;

2. in the event that he/Joy Bright or any of his/Joy Bright's associates identifies or is offered any opportunities to engage in a business that is in competition with that of the Group, he/Joy Bright will and will procure that his/Joy Bright's associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/Joy Bright in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/Joy Bright will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/Joy Bright or his/Joy Bright's associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 28 February 2017 provided by Mr. Wu Po Sum and Joy Bright respectively, each of them confirms that during the period from 1 January to 31 December 2016 (the "Relevant Period"), (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunities to engage in a business that is in competition with that of the Group.

Capitaland (Cayman) & Capitaland China

On 16 May 2008, Capitaland (Cayman) (the strategic investor and the substantial Shareholder) and Capitaland China (the holding company of Capitaland (Cayman)) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking B") in respect of the conduct of their certain activities in the PRC. Under the Non-competition Undertaking B, Capitaland (Cayman) and Capitaland China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. each of them will not in the provinces of Henan, Hubei, Hunan, Shanxi, Anhui and Shaanxi (the "Provinces"), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organisation, business firm, joint venture, trust, unincorporated organisation or any other entity or organisation, or any governmental authority (the "Person(s)"), carry on or be engaged, concerned or interested directly or indirectly whether as Shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);

2. In the event that Capitaland (Cayman)/Capitaland China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, Capitaland (Cayman)/Capitaland China agrees to notify the company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from Capitaland (Cayman)/Capitaland China. Upon the expiry of such 30-day period, unless the Company has communicated to Capitaland (Cayman)/Capitaland China the Company's intention to participate in the relevant project, Capitaland (Cayman)/Capitaland China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 28 February 2017 provided by CapitaLand (Cayman) and CapitaLand China respectively, each of them confirms that during the Relevant Period, (i) all the relevant terms of the Non-competition undertaking B have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand (Cayman)/CapitaLand China), save as disclosed below:

CapitaLand China, through CapitaLand Value Home China Business ("CVH China") and CapitaLand Township Holdings Pte Ltd ("CapitaLand Township China"), commenced certain residential development projects in two of the Provinces, namely Hubei (湖北) and Shaanxi (陝西), during the Relevant Period. In accordance with the requirements of the Non-competition Undertaking B, CapitaLand (Cayman)/CapitaLand China sent two notices to the Company on 13 March 2013 and 29 May 2013 offering the Company the opportunity to participate in the aforesaid projects. On 26 June 2013, the Company replied not accepting the offer to participate in all current and future residential projects undertaken or to be undertaken by CVH China and CapitaLand Township China in Wuhan and Xian and waiving the notice requirement under clause 2.1(c) of the Non-competition Undertaking B in respect of all future residential property development project(s) to be undertaken by each of CVH China and CapitaLand Township China in Wuhan and Xian.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has subscribed appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Group.

CONNECTED TRANSACTION

There were no transactions to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the year ended 31 December 2016.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 40 to the financial statements, there are no significant events subsequent to 31 December 2016 which would materially affect the Group's operating and financial performance as of the date of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries and its joint ventures purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group had joined a mandatory Hong Kong provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the schemes amounting to approximately RMB45.2 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed level of public float during the year and up to the date of this report as required under the Listing Rules.

BANK LOANS, OTHER LOANS, CORPORATE BONDS AND SENIOR NOTES

Particulars of bank loans, other loans, corporate bonds and senior notes of the Group as at 31 December 2016 are set out in notes 24, 25, 29 and 28 to the financial statements respectively.

DONATIONS

Charitable donations and other donations made by the Group during the year amounted to RMB151 million (2015: RMB1.5 million). For further details, please refer to "Charity" on page 45 in the section of Environmental, Social and Governance Report.

MATERIAL LITIGATION AND ARBITRATION

For the year ended 31 December 2016, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at pages 52 to 64 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Annual Results, including the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control systems and financial reporting matters as well as the audited financial statements for the year ended 31 December 2016 with the management.

AUDITORS

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the 2017 AGM.

By order of the board
Wu Po Sum
Chairman
Hong Kong, 24 March 2017

Independent Auditor's Report

Independent auditor's report to the shareholders of Central China Real Estate Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 89 to 198, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition on the sale of properties

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(v) on page 113.

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Recorded revenue from the sale of properties for the year ended 31 December 2016 totalled RMB9,120 million, which accounted for 96% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised when the following three criteria are all met: (1) the signing of the sale and purchase agreement; (2) the completion of the properties, which the management considers to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively (namely, the "property completion certification"); and (3) the collectability of the related receivable is reasonably assured. Deposits and instalments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as receipts in advance. We identified revenue recognition on the sale of properties as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	Our audit procedures to assess revenue recognition on the sale of properties included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • selecting a sample of property sale transactions from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sale and purchase agreements, property completion certifications and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period; • conducting site visits to property development projects for which revenue had been recognised in the current year, on a sample basis, to observe the completion status; • assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sale and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as receipts in advance from pre-sales of properties; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Assessing the net realisable value of properties for sale

Refer to note 20 to the consolidated financial statements and the accounting policies in note 2(m) on page 108.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2016, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB18,027 million, which represented 41% of the Group's total assets as at that date. Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management. The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales). We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures introduced by local governments in various cities across Mainland China.	Our audit procedures to assess the net realisable value of properties held for sale included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments; • comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • conducting site visits to properties held for future development, properties under development for sale and completed properties held for sale, on a sample basis, discussing with site management and observing the development progress and comparing the observed development progress with the Group's financial accounting records; • for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

The Key Audit Matter	How the matter was addressed in our audit
	• discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data; • re-performing calculations made by management in arriving at the year end assessment of net realisable values of properties for sale; • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
24 March 2017

Consolidated Income Statement

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**9,495,022**	12,562,724
Cost of sales		**(7,202,155)**	(9,774,701)
Gross profit		**2,292,867**	2,788,023
Other revenue	5	**228,696**	195,884
Other net income	5	**17,600**	182,735
Selling and marketing expenses		**(478,899)**	(560,248)
General and administrative expenses		**(808,433)**	(721,195)
Other operating income		**43,037**	48,143
		1,294,868	1,933,342
Share of loss of an associate	16	**(1,160)**	(1,723)
Share of profits less losses of joint ventures		**107,386**	268,767
Finance costs	6(a)	**(400,806)**	(434,054)
Profit before change in fair value of investment properties and income tax		**1,000,288**	1,766,332
Net increase/(decrease) in fair value of investment properties	13	**27,223**	(25,033)
Profit before taxation	6	**1,027,511**	1,741,299
Income tax	7(a)	**(623,391)**	(937,264)
Profit for the year		**404,120**	804,035
Attributable to:			
Equity shareholders of the Company		**402,973**	801,290
Non-controlling interests		**1,147**	2,745
Profit for the year		**404,120**	804,035
Earnings per share	10		
— Basic (RMB cents)		**16.50**	32.84
— Diluted (RMB cents)		**16.50**	32.84

The notes on pages 98 to 198 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016
(Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000
Profit for the year	**404,120**	804,035
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries	**(539,441)**	(76,831)
— Cash flow hedge:		
— Effective portion of changes in fair value	**(18,276)**	(114,056)
— Transfer from equity to profit or loss	**31,705**	102,938
Other comprehensive income for the year	**(526,012)**	(87,949)
Total comprehensive income for the year	**(121,892)**	716,086
Attributable to:		
Equity shareholders of the Company	**(121,314)**	713,717
Non-controlling interests	**(578)**	2,369
Total comprehensive income for the year	**(121,892)**	716,086

There is no tax effect relating to the above component of the other comprehensive income.

The notes on pages 98 to 198 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**3,024,802**	2,902,180
Investment properties	*13*	**575,870**	442,870
Intangible asset	*14*	**131,250**	146,250
Interests in an associate	*16*	**27,168**	25,328
Interests in joint ventures	*17*	**6,276,091**	6,532,270
Other financial assets	*18*	**190,080**	109,080
Deferred tax assets	*31(b)*	**127,461**	128,558
		10,352,722	10,286,536
Current assets			
Trading securities	*19*	**105,868**	76,932
Properties for sale	*20*	**18,026,529**	15,371,656
Trade and other receivables	*21*	**887,613**	1,111,176
Deposits and prepayments	*22*	**3,161,766**	3,658,339
Tax recoverable	*31(a)*	**610,171**	519,294
Restricted bank deposits	*23*	**1,404,821**	1,311,721
Cash and cash equivalents		**9,776,310**	7,422,350
		33,973,078	29,471,468
Current liabilities			
Bank loans	*24*	**(514,265)**	(1,045,045)
Other loans	*25*	**(90,000)**	(725,000)
Payables and accruals	*26*	**(14,842,040)**	(14,750,237)
Receipts in advance	*27*	**(6,832,439)**	(5,602,346)
Senior notes	*28*	**(960,216)**	(771,354)
Taxation payable	*31(a)*	**(1,151,686)**	(1,321,570)
		(24,390,646)	(24,215,552)
Net current assets		**9,582,432**	5,255,916
Total assets less current liabilities		**19,935,154**	15,542,452

Consolidated Statement of Financial Position (Continued)

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank loans	*24*	**(1,851,175)**	(1,136,733)
Other loans	*25*	**(300,000)**	(397,700)
Patent Payable		**(60,000)**	(105,000)
Corporate bonds	*29*	**(2,978,128)**	–
Senior notes	*28*	**(7,662,270)**	(6,515,531)
Deferred tax liabilities	*31(b)*	**(86,255)**	(69,969)
		(12,937,828)	(8,224,933)
NET ASSETS		**6,997,326**	7,317,519
CAPITAL AND RESERVES			
Share capital	*32(a)*	**216,322**	216,322
Reserves		**6,205,741**	6,582,338
Total equity attributable to equity shareholders of the Company		**6,422,063**	6,798,660
Non-controlling interests		**575,263**	518,859
TOTAL EQUITY		**6,997,326**	7,317,519

Approved and authorised for issue by the board of directors on 24 March 2017.

Wu Po Sum	**Yan Yingchun**
Executive Director	*Executive Director*

The notes on pages 98 to 198 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company											
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
		(Note 32(a)(i))	*(Note 32(b)(i))*	*(Note 32(b)(ii))*	*(Note 32(b)(iii))*	*(Note 32(b)(iv))*	*(Note 32(b)(v))*	*(Note 32(b)(vi))*	*(Note 32(b) (vii))*				
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016		216,322	1,666,254	1,766,679	478,232	45,268	19,067	6,479	(54,585)	2,654,944	6,798,660	518,859	7,317,519
Changes in equity for 2016:													
Profit for the year		–	–	–	–	–	–	–	–	402,973	402,973	1,147	404,120
Other comprehensive income		–	–	–	–	(537,716)	–	–	13,429	–	(524,287)	(1,725)	(526,012)
Total comprehensive income		–	–	–	–	(537,716)	–	–	13,429	402,973	(121,314)	(578)	(121,892)
Final dividends approved in respect of the previous year	*32(c)(ii)*	–	–	–	–	–	–	–	–	(240,295)	(240,295)	–	(240,295)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(26,200)	(26,200)
Appropriation to statutory reserve fund		–	–	200,240	–	–	–	–	–	(200,240)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	75,968	75,968
Equity settled share-based payment	*6(b)*	–	–	–	–	–	437	–	–	–	437	–	437
Lapse of share-based transaction		–	–	–	–	–	(2,388)	–	–	2,388	–	–	–
Disposals of subsidiaries	*37(b)*	–	–	–	–	–	–	–	–	–	–	(40,744)	(40,744)
Disposal of partial interest in a subsidiary		–	–	–	(329)	–	–	–	–	–	(329)	11,729	11,400
Acquisitions of additional interests in subsidiaries		–	–	–	(15,096)	–	–	–	–	–	(15,096)	(14,523)	(29,619)
Acquisitions of subsidiaries	*37(a)*	–	–	–	–	–	–	–	–	–	–	50,752	50,752
		–	–	200,240	(15,425)	–	(1,951)	–	–	(438,147)	(255,283)	56,982	(198,301)
Balance at 31 December 2016		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2016
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 32(a)(i))* RMB'000	Share premium *(Note 32(b)(i))* RMB'000	Statutory reserve fund *(Note 32(b)(ii))* RMB'000	Other capital reserve *(Note 32(b)(iii))* RMB'000	Exchange reserve *(Note 32(b)(iv))* RMB'000	Share-based compensation reserve *(Note 32(b)(v))* RMB'000	Property revaluation reserve *(Note 32(b)(vi))* RMB'000	Hedging reserve *(Note 32(b)(vii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		215,770	1,652,831	1,502,727	582,289	121,723	20,067	6,479	(43,467)	2,384,743	6,443,162	623,754	7,066,916
Changes in equity for 2015:													
Profit for the year		–	–	–	–	–	–	–	–	801,290	801,290	2,745	804,035
Other comprehensive income		–	–	–	–	(76,455)	–	–	(11,118)	–	(87,573)	(376)	(87,949)
Total comprehensive income		–	–	–	–	(76,455)	–	–	(11,118)	801,290	713,717	2,369	716,086
Final dividends approved in respect of the previous year	*32(c)(ii)*	–	–	–	–	–	–	–	–	(267,416)	(267,416)	–	(267,416)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(26,660)	(26,660)
Appropriation to statutory reserve fund		–	–	263,952	–	–	–	–	–	(263,952)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	36,000	36,000
Capital reduction from non-controlling interests		–	–	–	–	–	–	–	–	–	–	(22,400)	(22,400)
Share issued under share option scheme	*32(a)(i)*	552	13,423	–	–	–	(3,016)	–	–	–	10,959	–	10,959
Equity settled share-based payment	*6(b)*	–	–	–	–	–	2,016	–	–	279	2,295	–	2,295
Disposals of subsidiaries	*37(e)*	–	–	–	–	–	–	–	–	–	–	(9,983)	(9,983)
Acquisitions of additional interests in subsidiaries		–	–	–	(104,057)	–	–	–	–	–	(104,057)	(84,221)	(188,278)
		552	13,423	263,952	(104,057)	–	(1,000)	–	–	(531,089)	(358,219)	(107,264)	(465,483)
Balance at 31 December 2015		216,322	1,666,254	1,766,679	478,232	45,268	19,067	6,479	(54,585)	2,654,944	6,798,660	518,859	7,317,519

The notes on pages 98 to 198 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		**1,027,511**	1,741,299
Adjustments for:			
Interest income		**(225,675)**	(188,940)
Depreciation and amortisation		**228,012**	160,464
Equity settled share-based payment expenses		**437**	2,295
Dividend income from equity securities		**(1,521)**	(5,444)
Net (increase)/decrease in fair value of investment properties		**(27,223)**	25,033
Net loss on disposals of property, plant and equipment		**295**	94
Share of loss of an associate		**1,160**	1,723
Share of profits less losses of joint ventures		**(107,386)**	(268,767)
Finance costs		**400,806**	434,054
Unrealised and realised gain on trading securities		**(19,583)**	(15,946)
Write down of properties for sale		**26,271**	19,849
Net (gain)/loss on disposals of subsidiaries		**(813)**	116,422
Net loss/(gain) on deemed disposals of subsidiaries		**18,611**	(39,373)
Net fair value gain upon acquisition of subsidiaries		**(66,961)**	(369,896)
Gain on disposal of an associate		**–**	(1,567)
Government grants		**(1,500)**	(1,500)
Operating profit before changes in working capital carried forward		**1,252,441**	1,609,800

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating profit before changes in working capital brought forward		**1,252,441**	1,609,800
(Increase)/decrease in properties for sale		**(262,092)**	2,121,643
Decrease in trade and other receivables		**218,941**	293,271
Decrease in deposits and prepayments		**460,044**	104,096
Increase in restricted bank deposits		**(81,987)**	(16,148)
Increase in payables and accruals		**71,851**	121,717
Increase in receipts in advance		**1,298,673**	1,570,585
Cash generated from operations		**2,957,871**	5,804,964
PRC tax paid		**(846,508)**	(1,273,641)
Net cash generated from operating activities		**2,111,363**	4,531,323
Investing activities			
Payment for purchase of property, plant and equipment		**(354,295)**	(380,734)
Proceeds from disposals of property, plant and equipment		**1,559**	6,476
Payment for purchase of intangible asset		**(35,000)**	(10,000)
Payment for expenditure on investment properties		**–**	(5,658)
Net cash paid upon acquisitions of subsidiaries	*37(a)/(d)*	**(1,829,031)**	(1,463,425)
Acquisitions of additional interests in subsidiaries		**(29,619)**	(188,278)
Net cash outflow upon deemed disposals of subsidiaries	*37(c)/(f)*	**(97,075)**	(34,316)
Net cash (outflow)/inflow upon disposals of subsidiaries	*37(b)/(e)*	**(175,748)**	734,521
Net cash inflow upon disposal of partial interest in a subsidiary		**11,400**	–
Investments in joint ventures		**(18,750)**	(20,550)
Return of capital from a joint venture		**2,038**	365,536
Payment for purchase of other financial assets		**(120,000)**	–
Proceeds from disposals of other financial assets		**40,000**	–
Advances to joint ventures		**(472,069)**	(1,655,401)
Repayment from joint ventures		**639,529**	102,646
Dividend received from joint ventures		**167,605**	95,400
Proceeds from disposals of trading securities		**–**	7,774
Repayment from an associate		**–**	15,090
Advances to an associate		**(3,000)**	–
Proceeds from disposal of an associate		**–**	4,500
Dividend received from equity securities		**1,521**	5,444
Interest received		**225,675**	188,940
Net cash used in investing activities		**(2,045,260)**	(2,232,035)

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from new bank loans		**1,184,350**	721,801
Repayment of bank loans		**(1,150,488)**	(2,146,008)
Proceeds from new other loans		**–**	1,187,700
Repayment of other loans		**(332,700)**	(455,000)
Net proceeds from issue of new shares		**–**	10,959
Net proceeds from issue of senior notes	*28(f)*	**1,359,663**	1,845,183
Repayment of redemption upon maturity senior notes	*28(a)*	**(792,969)**	–
Net proceeds from issue of corporate bonds	*29*	**2,972,090**	–
Interest paid		**(846,479)**	(809,421)
Dividend paid		**(240,295)**	(267,416)
Dividend paid to non-controlling interests		**(26,200)**	(26,660)
Capital contribution from non-controlling interests		**75,968**	36,000
Capital deduction from non-controlling interests		**–**	(22,400)
Net cash generated from financing activities		**2,202,940**	74,738
Net increase in cash and cash equivalents		**2,269,043**	2,374,026
Cash and cash equivalents at 1 January		**7,422,350**	5,018,511
Effect of foreign exchange rate changes		**84,917**	29,813
Cash and cash equivalents at 31 December		**9,776,310**	7,422,350

The notes on pages 98 to 198 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 GENERAL

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2(h));

— financial instruments classified as trading securities (see note 2(e)); and

— derivative financial instruments (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(ii) (Continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in 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 the non-controlling interests' 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 equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(l)).

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest 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 the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint ventures (Continued)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 2(l)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in notes 2(v)(v) and (vi).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 2(v)(vi).

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(g)).

(g) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) 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.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(iii).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties (Continued)

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 (see note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(k).

(i) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)):

— buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(k)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings held for own use (including hotel properties) which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

—	Furniture, fixtures and equipment	5 to 10 years
—	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(l)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(j) Intangible asset

Intangible asset that is acquired by the Group is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)).

Amortisation of intangible asset with finite useful live is charged to profit or loss on a straight-line basis over the asset's estimated useful live. The following intangible asset with finite useful live is amortised from the date they are available for use and its estimated useful live is as follows:

— Patent 10 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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 assets 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 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 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(h)); and

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(i) Classification of assets leased to the Group (Continued)

— 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. 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.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or properties for sale (see note 2(m)).

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment 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 reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

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

— For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible asset; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value 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 assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Payables

Payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder 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 payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

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 in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate 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.

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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under "Receipts in advance".

(ii) Project management service fee income

Project management service fee income is recognised when the service is performed or on a systematic basis during the service period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition (Continued)

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the 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. Revenue from operating leases excludes business tax or other sales related taxes.

(iv) *Hotel operations*

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

(v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(vi) *Dividend income*

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(vii) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where grants that compensate the Group for the cost of an asset the fair value is included in the statement of financial position under "payables and accruals" and is released to profit or loss over the expected useful life of the relevant asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences 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 in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group 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 the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(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) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(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 Group's parent.

Close members of the family 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.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service.

Revenue represents income from sales of properties, rental income, revenue from hotel operations and project management service fee income. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2016 RMB'000	2015 RMB'000
Income from sales of properties	**9,119,947**	12,286,693
Rental income	**94,537**	101,274
Revenue from hotel operations	**241,514**	174,757
Project management service fee income	**39,024**	–
	9,495,022	12,562,724

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND OTHER NET INCOME

	2016 RMB'000	2015 RMB'000
Other revenue		
Interest income	**225,675**	188,940
Dividend income from equity securities	**1,521**	5,444
Government grants	**1,500**	1,500
	228,696	195,884
Other net income		
Net loss on disposals of property, plant and equipment	**(295)**	(94)
Net gain/(loss) on disposals of subsidiaries *(notes 37(b) and (e))*	**813**	(116,422)
Net (loss)/gain on deemed disposals of subsidiaries *(notes 37(c) and (f))*	**(18,611)**	39,373
Net fair value gain upon acquisition of subsidiaries *(notes 37(a) and (d))*	**66,961**	369,896
Net exchange loss	**(45,503)**	(102,694)
Unrealised and realised gain on trading securities	**19,583**	15,946
Write down of properties for sale	**(26,271)**	(19,849)
Gain on disposal of an associate	**–**	1,567
Others	**20,923**	(4,988)
	17,600	182,735

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2016 RMB'000	2015 RMB'000
(a) Finance costs		
Interest on bank loans	**139,603**	210,359
Interest on other loans	**112,751**	154,405
Interest on amounts due to joint ventures	**107,674**	–
Interest on senior notes	**588,331**	534,755
Interest on corporate bonds	**136,229**	–
Other ancillary borrowing costs	**–**	9,795
	1,084,588	909,314
Less: Borrowing costs capitalised*	**(635,237)**	(482,575)
	449,351	426,739
Net change in fair value of derivatives embedded in senior notes *(notes 28(b), (c), (e) and (f))*	**(48,545)**	7,315
	400,806	434,054

* Borrowing costs have been capitalised at a rate of 4.35%–11.8% per annum (2015: 5.54%–11.36% per annum).

6 PROFIT BEFORE TAXATION (Continued)

	2016 RMB'000	2015 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	**326,582**	324,578
Including:		
— Retirement scheme contributions	**45,243**	29,078
— Equity settled share-based payment expenses *(note 32(b)(ix))*	**437**	2,295

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2016 RMB'000	2015 RMB'000
(c) Other items		
Depreciation and amortisation	**228,012**	160,464
Group auditor's remuneration		
— audit services	**4,062**	4,000
— review and other services	**1,280**	1,150
Local statutory auditors' remuneration		
— audit services	**537**	428
— review and other services	**1,760**	1,840
Cost of properties sold	**7,019,341**	9,639,092
Sponsorship fee for local football events/to a football club	**128,400**	123,560
Operating lease charges in respect of properties	**32,990**	30,423
Rental income from investment properties less direct outgoings of RMB2,160,000 (2015: RMB2,254,000)	**(11,911)**	(11,946)
Rental income from properties for sale less direct outgoings of RMB12,354,000 (2015: RMB13,822,000)	**(68,112)**	(73,252)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2016 RMB'000	2015 RMB'000
Current tax *(note 31(a))*		
PRC Corporate Income Tax	**373,535**	513,261
PRC Land Appreciation Tax		
— Provision for the year	**274,794**	438,777
— Over-provision in prior years	**(49,413)**	(143,604)
Withholding tax	**7,092**	29,641
	606,008	838,075
Deferred tax *(note 31(b))*		
Revaluation of properties	**6,474**	(6,591)
PRC Land Appreciation Tax	**1,097**	22,159
Others	**9,812**	83,621
	17,383	99,189
	623,391	937,264

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) *PRC Corporate Income Tax ("CIT")*

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2015: 10% to 15%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2015: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2015: 25%) on the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) *Land Appreciation Tax ("LAT")*

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

(v) *Withholding tax*

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Profit before taxation	**1,027,511**	1,741,299
Tax on profit before tax, calculated at 25% (2015: 25%)	**256,878**	435,325
Difference in tax rates for certain subsidiaries	**31,826**	38,713
Tax effect of non-taxable revenue	**(33,090)**	(90,035)
Tax effect of non-deductible expenses	**131,262**	261,055
Tax effect of unused tax losses not recognised	**65,863**	45,806
Utilisation of tax loss not recognised in prior years	**(5,476)**	(4,621)
Over-provision of LAT in prior years	**(49,413)**	(143,604)
Withholding tax	**7,092**	29,641
LAT	**274,794**	438,777
Tax effect of LAT	**(56,345)**	(73,793)
Income tax expense	**623,391**	937,264

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2016

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note 30)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	4,423	–	–	–	4,423
Yan Yingchun	–	1,077	–	–	9	1,086
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wallis Wu (alias Li Hua)	–	227	11	–	–	238
Independent non-executive directors						
Cheung Shek Lun	209	–	–	–	–	209
Xin Luo Lin	209	–	–	–	–	209
Muk Kin Yau	209	–	–	–	–	209
Chief executive						
Chen Jianye	–	2,655	29	1,244	–	3,928
Total	801	8,382	40	1,244	9	10,476

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2015

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note 30)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	4,040	7	–	–	4,047
Yan Yingchun	–	902	2	–	48	952
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	80	–	–	–	–	80
Leow Juan Thong Jason (resigned on 1 April 2015)	20	–	–	–	–	20
Puah Tze Shyang (appointed on 1 April 2015)	60	–	–	–	–	60
Wallis Wu (alias Li Hua)	–	207	10	–	–	217
Independent non-executive directors						
Cheung Shek Lun	191	–	–	–	–	191
Xin Luo Lin	191	–	–	–	–	191
Muk Kin Yau	191	–	–	–	–	191
Chief executive						
Chen Jianye	–	4,117	35	–	–	4,152
Total	733	9,266	54	–	48	10,101

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2015: one) is director whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the other four (2015: four) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	9,631	10,155
Discretionary bonuses	1,244	–
Share-based payments	–	–
Retirement scheme contributions	60	64
	10,935	10,219

The emoluments of these four (2015: four) individuals with the highest emoluments are within the following bands:

	2016	2015
HKD2,000,001 to HKD2,500,000	2	1
HKD2,500,001 to HKD3,000,000	–	2
HKD3,000,001 to HKD3,500,000	1	–
HKD4,000,001 to HKD4,500,000	–	1
HKD4,500,001 to HKD5,000,000	1	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB402,973,000 (2015: RMB801,290,000) and the weighted average of 2,442,270,760 ordinary shares (2015: 2,439,624,133 ordinary shares) in issue during the year, calculated as follows:

	2016 '000	2015 '000
Issued ordinary shares at 1 January	2,442,271	2,435,345
Effect of exercised share options	–	4,279
Weighted average number of ordinary shares at 31 December	2,442,271	2,439,624

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for 2016 as all potentially dilutive potential ordinary shares were anti-dilutive.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB402,973,000 (2015: RMB801,290,000) and the weighted average number of ordinary shares of 2,442,270,760 shares (2015: 2,439,642,049 shares), calculated as follows:

(i) *Profit attributable to ordinary equity shareholders of the Company (diluted)*

	2016	2015
	RMB'000	RMB'000
Profit attributable to equity shareholders (diluted)	**402,973**	801,290

(ii) *Weighted average number of ordinary shares (diluted)*

	2016	2015
	'000	'000
Weighted average number of ordinary shares at 31 December	**2,442,271**	2,439,624
Effect of exercise of share options	**–**	18
Weighted average number of ordinary shares (diluted) at 31 December	**2,442,271**	2,439,642

11 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, Operating segments.

(b) Revenue from major services

The Group's revenue from its major services is set out in note 4.

(c) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

12 PROPERTY, PLANT AND EQUIPMENT

2016

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2016	285,174	2,452,861	299,070	309,393	48,815	3,395,313
Additions	131	20,966	279,278	48,766	5,154	354,295
Disposals	–	(171)	–	(3,427)	(2,783)	(6,381)
Transfer	–	144,326	(144,326)	–	–	–
Acquisitions of subsidiaries *(note 37(a))*	–	2,438	–	1,629	–	4,067
Disposals of subsidiaries *(note 37(b))*	–	–	–	(286)	(249)	(535)
Deemed disposals of subsidiaries *(note 37(c))*	–	(20,592)	–	(1,319)	(3)	(21,914)
At 31 December 2016	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Accumulated depreciation and amortisation:						
At 1 January 2016	(33,304)	(265,928)	–	(160,216)	(33,685)	(493,133)
Charge for the year	(8,448)	(133,919)	–	(62,689)	(7,956)	(213,012)
Written back on disposals	–	54	–	2,373	2,100	4,527
Acquisitions of subsidiaries *(note 37(a))*	–	(145)	–	(1,123)	–	(1,268)
Disposals of subsidiaries *(note 37(b))*	–	–	–	187	30	217
Deemed disposals of subsidiaries *(note 37(c))*	–	1,546	–	1,078	2	2,626
At 31 December 2016	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Net book value:						
At 31 December 2016	243,553	2,201,436	434,022	134,366	11,425	3,024,802

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2015

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2015	239,538	1,824,912	602,741	308,592	48,916	3,024,699
Additions	–	–	369,914	8,324	2,496	380,734
Disposals	–	–	–	(6,878)	(1,178)	(8,056)
Transfer	45,636	627,949	(673,585)	–	–	–
Acquisitions of subsidiaries *(note 37(d))*	–	–	–	1,140	–	1,140
Disposals of subsidiaries *(note 37(e))*	–	–	–	(1,068)	(1,001)	(2,069)
Deemed disposals of subsidiaries *(note 37(f))*	–	–	–	(717)	(418)	(1,135)
At 31 December 2015	285,174	2,452,861	299,070	309,393	48,815	3,395,313
Accumulated depreciation and amortisation:						
At 1 January 2015	(27,136)	(182,707)	–	(103,366)	(26,164)	(339,373)
Charge for the year	(6,168)	(83,221)	–	(58,027)	(9,298)	(156,714)
Written back on disposals	–	–	–	685	801	1,486
Acquisitions of subsidiaries *(note 37(d))*	–	–	–	(745)	–	(745)
Disposals of subsidiaries *(note 37(e))*	–	–	–	717	800	1,517
Deemed disposals of subsidiaries *(note 37(f))*	–	–	–	520	176	696
At 31 December 2015	(33,304)	(265,928)	–	(160,216)	(33,685)	(493,133)
Net book value:						
At 31 December 2015	251,870	2,186,933	299,070	149,177	15,130	2,902,180

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

	2016 RMB'000	2015 RMB'000
Long leases	**7,430**	7,688
Medium-term leases	**236,123**	244,182
	243,553	251,870

All the property, plant and equipment of the Group are located in the PRC.

Certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans and other loans. Details are set out in notes 24 and 25 respectively.

At 31 December 2016, the Group's property, plant and equipment of RMB160,050,000 (2015: RMB316,785,000) were pledged as securities of a joint venture's other loan.

13 INVESTMENT PROPERTIES

	Completed	Under development	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	372,400	4,600	377,000
Addition	–	5,658	5,658
Transfer	10,258	(10,258)	–
Transfer from properties for sale	85,245	–	85,245
Change in fair value	(25,033)	–	(25,033)
At 31 December 2015	442,870	–	442,870
Representing:			
Valuation — 2015	442,870	–	442,870
At 1 January 2016	**442,870**	**–**	**442,870**
Transfer from properties for sale	**105,777**	**–**	**105,777**
Change in fair value	**27,223**	**–**	**27,223**
At 31 December 2016	**575,870**	**–**	**575,870**
Representing:			
Valuation — 2016	**575,870**	**–**	**575,870**

Note: Properties held for sale of RMB105,777,000 were transferred from "properties for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB9,823,000 had been dealt with in the consolidated income statement.

13 INVESTMENT PROPERTIES (Continued)

(a) The analysis of fair value of investment properties is set out as follows:

	2016 RMB'000	2015 RMB'000
In the PRC		
— long leases	**324,300**	303,700
— medium-term leases	**251,570**	139,170
	575,870	442,870

(b) Fair value measurement of investment properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

13 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

— Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment properties:				
— In the PRC	575,870	–	–	575,870

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment properties:				
— In the PRC	442,870	–	–	442,870

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2016 and 2015. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

13 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties In the PRC	Income capitalisation approach	Daily market rent (RMB/sq.m.)	0.43 to 1.70 (2015: 0.43 to 3.32)	0.76 (2015: 0.86)
		Capitalisation rates	4.0% to 7.0% (2015: 4.0% to 7.0%)	4.69% (2015: 4.76%)

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 13.

Fair value adjustment of investment properties is recognised in the line item "net increase/(decrease) of fair value of investment properties" on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**10,795**	11,491
After 1 year but within 5 years	**38,481**	42,546
After 5 years	**5,799**	11,211
	55,075	65,248

14 INTANGIBLE ASSET

	Patent RMB'000
Cost:	
At 1 January 2015	–
Addition during the year	150,000
At 31 December 2015	150,000
At 1 January 2016	150,000
Addition during the year	–
At 31 December 2016	150,000
Accumulated amortisation:	
At 1 January 2015	–
Charge for the year	(3,750)
At 31 December 2015	(3,750)
At 1 January 2016	(3,750)
Charge for the year	(15,000)
At 31 December 2016	(18,750)
Net book value:	
At 31 December 2016	131,250
At 31 December 2015	146,250

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China City Construction Company Limited*	Henan, the PRC	RMB130,000,000	–	100%	Property development	Limited liability company
Anyang Central China Real Estate Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Wholly owned foreign enterprise
Baofeng Central China Taihe City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	80%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB155,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB120,000,000	–	100%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Hotel Management	Limited liability company
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Hotel operation	Limited liability company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB110,000,000 (2015: RMB60,000,000)	–	100%	Provision of financial services	Limited liability company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB863,900,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB65,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB190,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Group (Lingbao) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Jiaozuo Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	100%	Property development	Limited liability company
Central China Real Estate He Bi Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Changge Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Changyuan Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Gongyi New Town Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited*	Henan, the PRC	RMB100,000,000	–	65%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Construction Design Company Limited*	Henan, the PRC	RMB11,000,000	–	100%	Designing	Limited liability company
Henan Central China Construction Materials Commerce and Trading Company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Commerce and trading	Limited liability company
Henan Central China Culture Travelling Property Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Kaipu Commercial Development Company Limited*	Henan, the PRC	RMB100,000,000	–	80%	Property development	Limited liability company
Henan Central China Real Estate Company Limited*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company
Henan Central China Real Estate Kanghui Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Hotel operation	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investments Company Limited*	Henan, the PRC	RMB977,600,000	–	100%	Property development	Limited liability company
Henan Shanhao Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB15,000,000	–	100%	Hotel operation	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Yuxuan Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan Zhenghe Real Estate Development Company Limited*	Henan, the PRC	RMB100,000,000 (2015: RMB8,000,000)	–	60%	Property development	Limited liability company
Henan Zhiteng Business Service Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Huaxian Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	–	Investments holding	Private company
Kaifeng Central China Enterprise Management Consultancy Company Limited*	Henan, the PRC	RMB10,000,000	–	85%	Property development	Limited liability company
Kaifeng Luda Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	51%	Property development	Limited liability company
Linying Central China City Construction Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Fengdu Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Jianye Culture Tourism Industry Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Travel	Limited liability company
Luoyang Liye Real Estate Development Company Limited*	Henan, the PRC	RMB30,000,000	–	51%	Property development	Limited liability company
Luoyang Xianglin Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	–	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Pingdingshan Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Pingdingshan Central China Real Estate Company Limited*	Henan, the PRC	RMB28,000,000	–	100%	Property development	Wholly owned foreign enterprise
Puyang Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB145,500,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Wholly owned foreign enterprise

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shuiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Wugang Central China Zhizun Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China City Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China Real Estate Company Limited*	Henan, the PRC	RMB44,900,000	–	100%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited*	Henan, the PRC	RMB2,000,000	–	60%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	80% (2015: 100%)	Property development	Wholly owned foreign enterprise
Xuchang Jinyue Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	70%	Property development	Limited liability company
Xuchang One City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100% (2015: 49%)	Property development	Limited liability company
Yanshi Central China City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yanshi Yaxin Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	60%	Property development	Limited liability company
Yongcheng Jiandong Zhiye Company Limited*	Henan, the PRC	RMB100,000,000 (2015: RMB10,000,000)	–	90%	Property development	Limited liability company
Yuzhou New Plaza Construction & Development Company Limited*	Henan, the PRC	RMB20,000,000	–	75%	Property development	Limited liability company
Zhengzhou Ansheng Geological Cuture Development Limited*	Henan, the PRC	RMB100,000,000	–	80%	Property development	Limited liability company
Zhengzhou Anyong Properties Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Central China Kairun Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	85%	Property development	Limited liability company
Zhengzhou Jiandong Zhiye Company Limited*	Henan, the PRC	RMB110,000,000	–	60%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhenzhou Central China Luyuan Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	70%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,692,720	–	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB256,000,000	–	100%	Property development	Limited liability company
Zhumadian Jiandong Zhiye Company Limited*	Henan, the PRC	RMB10,000,000	–	60%	Property development	Limited liability company

* KPMG are not statutory auditors of these subsidiaries.

Notes:

(a) The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	**7,168**	8,328
Amounts due from an associate	**20,000**	17,000
	27,168	25,328

Amounts due from an associate is unsecured, interest-free and has no fixed terms of repayment, and is expected to be recovered after more than one year.

The following list contains the particulars of the Group's associate, which is unlisted corporate entity whose quoted market price is not available and not material to the Group:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
St. Andrews Golf Club (Zhengzhou) Company Limited*	Henan, the PRC	RMB69,000,000	–	40%	Provision of golf facilities	Wholly owned foreign enterprise

* KPMG is not the statutory auditor of the associate.

Note: The English name of the Group's associate in the PRC referred to above was translated by management only for the purpose of these financial statements as no English name has been registered or available.

Information of the associate that is not individually material:

	2016 RMB'000	2015 RMB'000
Carrying amount of the associate in the consolidated financial statements	**27,168**	25,328
Amount of the Group's share of the associate's		
Loss from continuing operations	**(1,160)**	(1,723)
Total comprehensive income	**(1,160)**	(1,723)

17 INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	**3,490,712**	3,579,431
Amounts due from joint ventures	**2,785,379**	2,952,839
	6,276,091	6,532,270

Amounts due from joint ventures, except for amounts of RMB1,450,042,000 (2015: RMB165,000,000) which are interest bearing at 4.35%–13.65% per annum, are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered more than one year.

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Registered capital	Held by the Company	Held by a subsidiary	Principal activities	Legal form
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	66.67%	Property development	Limited liability company
Central China Zhiye Union Company Limited*	Henan, the PRC	RMB960,000,000	–	65.63%	Property development	Limited liability company
Henan Central China Hengxin Property Company Limited*	Henan, the PRC	RMB220,000,000	–	28.57%	Property development	Limited liability company
Puyang Central China City Development Company Limited* *(note (b))*	Henan, the PRC	RMB820,000,000	–	– (2015: 51.22%)	Property development	Limited liability company
Henan Yuanda Company Limited* *(note (b))*	Henan, the PRC	RMB620,000,000	–	– (2015: 51.61%)	Property development	Limited liability company
Universal Food City Development (Henan) Company Limited* *(note (b))*	Henan, the PRC	RMB353,200,000	–	– (2015: 57.53%)	Property development	Limited liability company
Henan Central China Taihong Real Estate Limited*	Henan, the PRC	RMB231,020,000	–	51%	Property development	Limited liability company
Henan Central China Fuju Investment Company Limited*	Henan, the PRC	RMB100,000,000	–	45%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited* *(note (c))*	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited liability company
Xinyang Tianheng Real Estate Company Limited* *(note (c))*	Henan, the PRC	RMB48,300,000	–	50.31%	Property development	Limited liability company

* KPMG are not the statutory auditors of these joint ventures.

17 INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) The English names of the Group's joint ventures in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

(b) On 21 November 2016, the Group entered into two equity transfer agreements with Bridge Trust Company Limited to acquire 48.78% equity interests in Puyang Central China City Development Company Limited ("CCRE Puyang") and 48.39% equity interest in Henan Yuanda Company Limited ("CCRE Yuanda") at the considerations of RMB594,369,000 and RMB422,772,000 respectively.

On 15 April 2016, the Group entered into an equity transfer agreement with Orient Minerva Asset Management Company Limited ("Orient Minerva") to acquire 42.47% equity interests in Universal Food City Development (Henan) Company Limited ("Universal Food City") at the considerations of RMB150,000,000.

Upon completion of the above transactions, CCRE Puyang, CCRE Yuanda and Universal Food City became wholly-owned subsidiaries of the Group, and a net fair value gain of RMB66,961,000 is recognised in profit or loss during the year. Details are set out in note 37(a).

(c) During the year, the capital of Ping An Trust and Investment Company Limited ("Ping An Trust") and Henan Orient Jindian Property Group Company Limited ("Henan Jindian") invested in Kaifeng Central China Real Estate Company Limited ("CCRE Kaifeng") and Xinyang Tianheng Real Estate Company Limited ("Xingyang Tianheng"), which were previously wholly-owned subsidiaries of the Group. After the investment by Ping An Trust and Henan Jindian, CCRE Kaifeng and Xingyang Tianheng are regarded as joint ventures as neither Ping An Trust and Henan Jindian, nor the Group has controlling power over the board of directors pursuant to the articles of association. Details are set out in note 37(c).

The net loss on deemed disposals of CCRE Kaifeng and Xingyang Tianheng of RMB18,611,000 was recognised in profit or loss during the year (note 5).

The above joint ventures strengthen the Group's property development business in Henan, the PRC.

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

17 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Zhengzhou Central China Tianming Property Company Limited		Central China Zhiye Union Company Limited		Henan Central China Hengxin Property Company Limited		Puyang Central China City Development Company Limited		Henan Yuanda Company Limited		Universal Food City Development (Henan) Company Limited		Henan Central China Taihong Real Estate Limited		Henan Central China Fuju Investment Company Limited		Kaifeng Central China Real Estate Company Limited	Xinyang Tianheng Real Estate Company Limited
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	**2016**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
Gross amounts of joint ventures																		
Current assets	4,339,002	4,327,190	1,439,480	1,445,148	3,908,970	1,021,126	–	1,565,415	–	653,107	–	489,527	4,272,779	3,079,842	8,665,833	5,038,141	1,334,733	623,170
Non-current assets	79,741	40,176	4,308	1,423	77,521	3,504	–	3,571	–	164,662	–	4,141	23,795	5,416	14,981	7,463	121,587	981
Current liabilities	(2,129,929)	(1,558,433)	(186,992)	(212,415)	(2,132,259)	(213,082)	–	(412,054)	–	(138,777)	–	(892)	(2,804,523)	(1,276,502)	(6,370,814)	(3,413,016)	(186,148)	(559,957)
Non-current liabilities	(360,000)	(900,000)	(269,800)	(270,000)	(1,400,000)	(380,000)	–	(331,330)	–	–	–	(149,800)	(1,250,000)	(1,571,500)	(2,310,000)	(1,560,000)	–	–
Equity	1,928,814	1,908,933	986,996	964,156	454,232	431,548	–	825,602	–	678,992	–	342,976	242,051	237,256	–	72,588	1,270,172	64,194
Included in the above assets and liabilities:																		
Cash and cash equivalents	421,842	14,852	146,682	54,749	181,895	16,294	–	3,798	–	171	–	10,101	391,556	316,913	862,886	351,280	18,564	3,134
Current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	–	–	–	–	–	–	–	–	(185,900)	–	–	–	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(360,000)	(900,000)	(269,800)	(270,000)	(1,400,000)	(380,000)	–	(331,330)	–	–	–	(149,800)	(1,250,000)	(1,571,500)	(2,310,000)	(1,560,000)	–	–
Revenue	783,807	–	194,967	61,953	–	–	274,386	491,784	6,310	–	–	–	614,376	1,923,100	–	–	60,962	–
Profit/(loss) from continuing operations	108,655	(12,240)	1,330	1,795	16,147	(8,326)	17,301	25,263	(10,941)	6,807	(7)	(90)	104,794	165,722	(52,164)	(17,753)	5,381	(1,998)
Total comprehensive income	108,655	(12,240)	1,330	1,795	16,147	(8,326)	17,301	25,263	(10,941)	6,807	(7)	(90)	104,794	165,722	(52,164)	(17,753)	5,381	(1,998)
Dividend received from the JVs	66,670	–	–	–	–	–	–	6,000	–	–	–	–	51,000	51,000	–	–	–	–
Included in the above profit/(loss):																		
Depreciation and amortisation	(121)	(46)	(144)	(77)	(171)	(9)	(95)	(121)	(120)	(41)	–	(13)	(1,517)	(201)	(467)	(427)	(647)	–
Interest income	1,701	1,148	213	275	1,190	122	449	1,080	43	226	1	34	2,679	1,827	2,024	113	141	6
Interest expenses	–	(116,492)	(17,716)	(3,300)	–	–	–	–	–	(1,074)	–	(13,990)	–	(171,347)	–	(109,548)	(2,707)	–
Income tax expense	(110,515)	4,080	(846)	97	(6,519)	845	(7,486)	(8,479)	–	26,630	2	(109)	(76,875)	(67,583)	–	1,776	(1,881)	–
Reconciled to the Group's interests in joint ventures																		
Gross amounts of net assets of the joint ventures	1,928,814	1,908,933	986,996	964,156	454,232	431,548	–	825,602	–	678,992	–	342,976	242,051	237,256	–	72,588	1,270,172	64,194
Group's effective interest	66.67%	66.67%	65.63%	65.63%	28.57%	28.57%	0.00%	51.22%	0.00%	51.61%	0.00%	57.53%	51.00%	51.00%	45.00%	45.00%	60.00%	50.31%
Group's share of net assets of the joint ventures	1,285,876	1,272,622	647,716	632,727	129,781	123,299	–	422,869	–	350,447	–	197,318	123,446	121,001	–	32,665	762,103	32,296
Amount due from joint ventures	31,030	10,828	4,563	9,877	4,840	204,352	–	12,701	–	–	–	–	336	221,964	2,319,324	2,286,492	47,392	300,408
Carrying amount in the consolidated financial statements	1,316,906	1,283,450	652,279	642,604	134,621	327,651	–	435,570	–	350,447	–	197,318	123,782	342,965	2,319,324	2,319,157	809,495	332,704

17 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below: (Continued)

Aggregate information of joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**587,316**	837,459
Aggregate amounts of the Group's share of those joint ventures'		
(Loss)/profit from continuing operations	**(4,822)**	117,839
Total comprehensive income	**(4,822)**	117,839

18 OTHER FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Unlisted equity securities, at cost — in the PRC	**190,080**	109,080

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2016 and 2015.

19 TRADING SECURITIES

	2016 RMB'000	2015 RMB'000
Listed equity securities at fair value in Hong Kong	**105,868**	76,932

20 PROPERTIES FOR SALE

	2016 RMB'000	2015 RMB'000
Properties held for future development and under development for sale	**11,924,548**	10,421,304
Completed properties held for sale	**6,101,981**	4,950,352
	18,026,529	15,371,656

At 31 December 2016, properties for sale of RMB18,026,529,000 (2015: RMB15,371,656,000) are net of a provision of RMB87,483,000 (2015: RMB65,791,000) in order to state these properties at the lower of their cost and estimate net realisable value.

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2016 RMB'000	2015 RMB'000
In the PRC		
— long leases	**5,531,470**	5,685,680
— medium-term leases	**1,404,179**	1,817,624
	6,935,649	7,503,304

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2016 RMB'000	2015 RMB'000
Properties held for future development and under development for sale	**8,715,359**	6,428,100

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank and other loans. Details are set out in notes 24 and 25 respectively.

At 31 December 2016, the Group's properties for sale of RMB306,273,000 (2015: RMB982,472,000) were pledged as securities for a joint venture's other loan (2015: joint ventures' bank loans and other loans).

20 PROPERTIES FOR SALE (Continued)

(d) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of one to five years. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**108,511**	88,591
After 1 year to 5 years	**236,164**	243,040
After 5 years	**422,389**	486,067
	767,064	817,698

The directors confirm that the Group intends to sell the properties together with the respective leases.

(e) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	**7,023,920**	9,649,821
Write down of inventories	**26,271**	19,849
Reversal of write-down of inventories	**(4,579)**	(10,729)
	7,045,612	9,658,941

21 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Bills receivable *(note (a))*	**6,794**	2,700
Trade receivables *(note (a))*	**42,926**	44,672
Other receivables	**470,885**	438,049
Amounts due from related companies *(note (b))*	**106,684**	364,376
Amounts due from non-controlling interests *(note (c))*	**184,548**	236,789
Derivative financial instruments *(note 28(b), (c), (e) and (f))*	**61,691**	10,505
Others	**14,085**	14,085
	887,613	1,111,176

21 TRADE AND OTHER RECEIVABLES (Continued)

(a) The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and all of which are neither individually nor collectively considered to be impaired, is as follows:

	2016 RMB'000	2015 RMB'000
Current	**19,707**	36,313
1 to less than 3 months overdue	**1,727**	141
3 to less than 6 months overdue	**3,650**	3,331
6 months to less than 1 year overdue	**16,733**	686
More than 1 year overdue	**7,903**	6,901
	49,720	47,372

The Group's credit policy is set out in note 33(b).

Based on assessment, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The amounts due from related companies included an amount of RMB39,015,000 (2015: RMB39,015,000) in relation to sales of properties in previous years to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The amount is unsecured, interest-free and recoverable on demand.

The amount due from a related company of RMB62,082,000 (2015: RMB226,051,000) represents the prepaid expected basic return to the trust manager of joint ventures, Bridge Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, and have no fixed terms of repayment.

(c) The amounts due from non-controlling interests included (i) amounts of RMB20,000,000 (2015: RMB20,000,000) which is secured by the equity interests of certain PRC subsidiaries that partially owned by the non-controlling interests, interest-free and have no fixed terms of repayment; and (ii) an amount of RMB3,500,000 (2015: RMB3,500,000) which is unsecured, interest bearing at 24% per annum and has no fixed terms of repayment; and (iii) an amount of RMB17,980,000 which is unsecured, interest bearing at 18% per annum and has no fixed terms of repayment.

The remaining amount due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

22 DEPOSITS AND PREPAYMENTS

At 31 December 2016, the balance included deposits and prepayments for leasehold land of RMB2,220,145,000 (2015: RMB2,721,687,000).

23 RESTRICTED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Guarantee deposits in respect of:		
— mortgage loans related to property sale	**958,348**	645,947
— bills payable	**440,447**	630,091
— bank loans *(note 24(b))*	**6,026**	15,678
— other loans *(note 25(b))*	**–**	20,005
	1,404,821	1,311,721

24 BANK LOANS

(a) At 31 December 2016, the bank loans were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**514,265**	1,045,045
After 1 year but within 2 years	**393,695**	234,258
After 2 years but within 5 years	**683,985**	404,985
After 5 years	**773,495**	497,490
	1,851,175	1,136,733
	2,365,440	2,181,778

24 BANK LOANS (Continued)

(b) At 31 December 2016, the bank loans were secured as follows:

	2016 RMB'000	2015 RMB'000
Bank loans		
— secured	**1,650,440**	1,311,778
— unsecured	**715,000**	870,000
	2,365,440	2,181,778

At 31 December 2016, assets of the Group secured against bank loans are analysed as follows:

	2016 RMB'000	2015 RMB'000
Properties for sale	**2,271,039**	2,653,888
Property, plant and equipment	**831,650**	882,079
Restricted bank deposits *(note 23)*	**6,026**	15,678
	3,108,715	3,551,645

(c) The effective interest rates of bank loans of the Group at 31 December 2016 were ranged from 4.35%–7.34% (2015: 5.15%–8.00%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). As at 31 December 2016 and 2015, none of the covenants relating to drawn down facilities had been breached.

25 OTHER LOANS

(a) At 31 December 2016, other loans were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**90,000**	725,000
After 1 year but within 2 years	**90,000**	90,000
After 2 years but within 5 years	**180,000**	277,700
After 5 years	**30,000**	30,000
	300,000	397,700
	390,000	1,122,700

(b) At 31 December 2016, the other loans were secured as follows:

	2016 RMB'000	2015 RMB'000
Other loans		
— secured	**–**	592,700
— unsecured	**390,000**	530,000
	390,000	1,122,700

At 31 December 2016, assets of the Group secured against other loans are analysed as follows:

	2016 RMB'000	2015 RMB'000
Properties for sale	**–**	43,673
Restricted bank deposits (note 23)	**–**	20,005
	–	63,678

(c) The effective interest rates of other loans of the Group at 31 December 2016 were ranged from 1.2%–7% (2015: 8.0%–11.8%) per annum.

26 PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Bills payable *(note (a))*	**334,633**	740,686
Trade payables *(note (a))*	**5,004,184**	5,031,416
Other payables and accruals	**2,453,910**	2,777,265
Patent payable	**45,000**	35,000
Amounts due to joint ventures *(note (b))*	**6,642,758**	5,336,229
Amounts due to non-controlling interests *(note (c))*	**202,161**	571,630
Amount due to an associate	**–**	21,381
Derivative financial instruments		
— held as cash flow hedging instrument	**159,394**	236,630
	14,842,040	14,750,237

At 31 December 2016, included in payables and accruals are retention payable of RMB35,760,000 (2015: RMB61,493,000) which are expected to be settled more than one year.

Notes:

(a) As of the end of the reporting period, the ageing analysis of bills and trade payables based on the invoice date is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**2,090,689**	2,754,128
1–3 months	**789,930**	985,469
3–6 months	**760,841**	578,561
6–12 months	**416,262**	588,618
Over 12 months	**1,281,095**	865,326
	5,338,817	5,772,102

(b) The amounts due to joint ventures included amounts of RMB4,924,097,000 (2015: Nil) which is unsecured, interest bearing at 4.35%–9.14% per annum and has no fixed terms of repayment.

The remaining amounts due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts due to non-controlling interest included amounts of RMB76,634,000 (2015: Nil) which is unsecured, interest bearing at 4.35% per annum and has no fixed terms of repayment.

The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

27 RECEIPTS IN ADVANCE

Receipts in advance mainly represent sale proceeds in connection with pre-sale of properties.

28 SENIOR NOTES

Liability component of the Senior Notes:

	2016 RMB'000	2015 RMB'000
SGD175m Senior Notes *(note (a))*	–	771,354
US$200m Senior Notes *(note (b))*	1,396,432	1,252,269
US$400m Senior Notes *(note (c))*	2,795,026	2,504,350
SGD200m Senior Notes *(note (d))*	960,216	886,916
US$300m Senior Notes *(note (e))*	2,087,429	1,871,996
US$200m Senior Notes due in 2021 *(note (f))*	1,383,383	–
	8,622,486	7,286,885
Less: amount due for maturity within 12 months (classified as current liabilities)	(960,216)	(771,354)
	7,662,270	6,515,531

(a) On 11 April 2012, the Company issued senior notes with principal amount of SGD175,000,000 due in 2016 ("SGD175m Senior Notes"). The senior notes are interest bearing at 10.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 18 April 2016. At any time prior to 18 April 2016, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the SGD175m Senior Notes by swapping the SGD175m Senior Notes principal of SGD175 million into US$137 million. The aggregate notional principal amounts of the foreign exchange rate swap contract is SGD175,000,000 and the contract matured on 18 April 2016. The foreign exchange rate swap contract is accounted for at fair value at the end of each reporting period as derivative financial instrument in accordance with the accounting policies.

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(a) (Continued)

The movements of SGD175m Senior Notes are set out below:

	Liability component of the senior notes *(Note 28(a)(i))* RMB'000
At 1 January 2015	798,528
Interest and transaction costs amortised	5,420
Exchange difference	(32,594)
At 31 December 2015	771,354
At 1 January 2016	**771,354**
Interest and transaction costs amortised	**1,767**
Exchange difference	**19,848**
Redemption of senior notes	**(792,969)**
At 31 December 2016	**–**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 11.36% per annum.

On 18 April 2016, the Company redeemed all outstanding SGD175m Senior Notes upon maturity with principal amount of SGD175,000,000 at the pre-determined redemption price.

(b) On 21 January 2013, the Company issued senior notes with principal amount of US$200,000,000 due in 2020 ("US$200m Senior Notes"). The senior notes are interest bearing at 8% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 28 January 2020. At any time and from time to time on or after 28 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 28 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(b) (Continued)

The movements of US$200m Senior Notes are set out below:

	Liability component of the senior notes *(Note 28(b)(i))* RMB'000	Redemption call option *(Notes 21 and 28(b)(ii))* RMB'000	Total RMB'000
At 1 January 2015	1,221,560	(2,887)	1,218,673
Interest and transaction costs amortised	1,141	–	1,141
Change in fair value *(note 6(a))*	–	(249)	(249)
Exchange difference	29,568	(72)	29,496
At 31 December 2015	1,252,269	(3,208)	1,249,061
At 1 January 2016	**1,252,269**	**(3,208)**	**1,249,061**
Interest and transaction costs amortised	**1,357**	**–**	**1,357**
Change in fair value *(note 6(a))*	**–**	**(15,380)**	**(15,380)**
Exchange difference	**142,806**	**(823)**	**141,983**
At 31 December 2016	**1,396,432**	**(19,411)**	**1,377,021**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 8.13% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2016 are set out as follows:

Credit spread	5.7% (2015: 6.9%)

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(c) On 22 May 2013, the Company issued senior notes with principal amount of US$400,000,000 due in 2018 ("US$400m Senior Notes"). The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2018. At any time and from time to time on or after 4 June 2016, the Company may at its option redeem the senior notes, in whole or in part, at a predetermined redemption price. In addition, at any time prior to 4 June 2016, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The movements of US$400m Senior Notes are set out below:

	Liability component of the senior notes	**Redemption call option**	**Total**
	(Note 28(c)(i))	*(Notes 21 and 28(c)(ii))*	
	RMB'000	RMB'000	RMB'000
At 1 January 2015	2,440,968	(4,668)	2,436,300
Interest and transaction cost amortised	4,276	–	4,276
Change in fair value *(note 6(a))*	–	2,486	2,486
Exchange difference	59,106	(83)	59,023
At 31 December 2015	2,504,350	(2,265)	2,502,085
At 1 January 2016	**2,504,350**	**(2,265)**	**2,502,085**
Interest and transaction cost amortised	**5,016**	**–**	**5,016**
Change in fair value *(note 6(a))*	**–**	**(340)**	**(340)**
Exchange difference	**285,660**	**(268)**	**285,392**
At 31 December 2016	**2,795,026**	**(2,873)**	**2,792,153**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 6.71% per annum.

(Expressed in Renminbi)

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(c) (Continued)

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2016 are set out as follows:

Credit spread	5.2% (2015: 6.2%)

(d) On 15 May 2014, the Company issued senior notes with principal amount of SGD200,000,000 due in 2017 ("SGD200m Senior Notes"). The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 26 May 2017. At any time prior to 26 May 2017, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the SGD200m Senior Notes by swapping the senior notes principal of SGD200 million into US$160 million. The aggregate notional principal amounts of the foreign exchange rate swap contract is SGD200 million and the contract will mature on 26 May 2017. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2016, the fair value of the foreign exchange rate swap contract (liability) amounted to RMB159,394,000 (2015: RMB141,118,000) (note 26) is measured based on market price quoted by brokers.

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(d) (Continued)

The movements of SGD200m Senior Notes are set out below:

	Liability component of the senior notes *(Note 28(d)(i))* RMB'000
At 1 January 2015	907,656
Interest and transaction costs amortised	5,097
Exchange difference	(25,837)
At 31 December 2015	886,916
At 1 January 2016	**886,916**
Interest and transaction costs amortised	**5,903**
Exchange difference	**67,397**
At 31 December 2016	**960,216**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 7.16% per annum.

(e) On 23 April 2015, the Company issued senior notes with principal amount of US$300,000,000 due in 2021 ("US$300m Senior Notes"). The senior notes are interest bearing at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 January 2021. At any time and from time to time on or after 23 January 2019, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 23 January 2019, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(e) (Continued)

The movements of US$300m Senior Notes are set out below:

	Liability component of the senior notes	Redemption call option	Total
	(Note 28(e)(i))	*(Notes 21 and 28(e)(ii))*	
	RMB'000	RMB'000	RMB'000
Proceeds from issuance senior notes	1,881,631	(10,230)	1,871,401
Transaction costs	(26,361)	143	(26,218)
Net proceeds	1,855,270	(10,087)	1,845,183
Interest and transaction cost amortised	1,151	–	1,151
Change in fair value *(note 6(a))*	–	5,078	5,078
Exchange difference	15,575	(23)	15,552
At 31 December 2015	1,871,996	(5,032)	1,866,964
At 1 January 2016	**1,871,996**	**(5,032)**	**1,866,964**
Interest and transaction cost amortised	**1,956**	**–**	**1,956**
Change in fair value *(note 6(a))*	**–**	**(6,533)**	**(6,533)**
Exchange difference	**213,477**	**(768)**	**212,709**
At 31 December 2016	**2,087,429**	**(12,333)**	**2,075,096**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 8.91% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2016 are set out as follows:

Credit spread	6.1% (2015: 7.5%)

28 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(f) On 8 November 2016, the Company issued senior notes with principal amount of US$200,000,000 due in 2021 ("US$200m Senior Notes due in 2021"). The senior notes are interest bearing at 6.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 8 November 2021. At any time prior to 8 November 2021, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US$200m Senior Notes due in 2021 by swapping the senior notes principal of US$200,000,000 into RMB 1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US$200 million and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2016, the fair value of the foreign exchange rate swap contract (asset) amounted to RMB27,074,000 (note 21) is measured based on market price quoted by brokers and the fair value change gain of RMB26,292,000 is recorded under "Finance cost" (note 6(a)).

The movements of US$200m Senior Notes due in 2021 are set out below:

	Liability component of the senior notes *(Note 28(f)(i))* RMB'000
Proceeds from issuance senior notes	1,377,970
Transaction costs	(18,307)
Net proceeds	1,359,663
Interest and transaction costs amortised	496
Exchange difference	23,224
At 31 December 2016	**1,383,383**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 7.06% per annum.

29 CORPORATE BONDS

	2016 RMB'000
Proceeds from issuance corporate bonds	3,000,000
Transaction costs	(27,910)
Net proceeds	2,972,090
Interest and transaction costs amortised	6,038
At 31 December 2016	2,978,128

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 ("Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 12 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

30 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(b) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(c) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(d) The number and the weighted average exercise price of share options are as follows:

	2016		2015	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at 1 January	**2.34**	**32,867,720**	2.28	40,393,880
Exercised during the year	**–**	**–**	1.99	(6,926,160)
Lapsed during the year	**2.56**	**(3,750,000)**	2.56	(600,000)
Outstanding at 31 December	**2.31**	**29,117,720**	2.34	32,867,720
Exercisable at 31 December	**2.31**	**29,117,720**	2.27	24,947,720

The options outstanding at 31 December 2016 had a weighted average exercise price of HK$2.31 (2015: HK$2.34) and a weighted average remaining contractual life of 5.22 years (2015: 6.34 years).

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	CIT RMB'000	LAT RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2015	202,390	852,254	261,235	1,315,879
Charged to the consolidated income statement *(note 7(a))*	513,261	295,173	29,641	838,075
Acquisitions of subsidiaries *(note 37(d))*	(80,525)	(72,341)	–	(152,866)
Disposals of subsidiaries *(note 37(e))*	77,805	(12,368)	–	65,437
Deemed disposals of subsidiaries *(note 37(f))*	9,256	136	–	9,392
Tax paid	(584,995)	(688,646)	–	(1,273,641)
At 31 December 2015	137,192	374,208	290,876	802,276
At 1 January 2016	**137,192**	**374,208**	**290,876**	**802,276**
Charged to the consolidated income statement *(note 7(a))*	**373,535**	**225,381**	**7,092**	**606,008**
Acquisitions of subsidiaries *(note 37(a))*	**(7,172)**	**(4,137)**	**–**	**(11,309)**
Disposals of subsidiaries *(note 37(b))*	**(1,427)**	**–**	**–**	**(1,427)**
Deemed disposals of subsidiaries *(note 37(c))*	**6,561**	**(14,086)**	**–**	**(7,525)**
Tax paid	**(417,414)**	**(369,069)**	**(60,025)**	**(846,508)**
At 31 December 2016	**91,275**	**212,297**	**237,943**	**541,515**

	2016 RMB'000	2015 RMB'000
Representing:		
Taxation payable	**1,151,686**	1,321,570
Tax recoverable	**(610,171)**	(519,294)
	541,515	802,276

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	(62,456)	150,717	–	88,261
Credited/(charged) to the consolidated income statement *(note 7(a))*	6,591	(22,159)	(83,621)	(99,189)
Disposals of subsidiaries *(note 37(e))*	–	–	69,517	69,517
At 31 December 2015	(55,865)	128,558	(14,104)	58,589
At 1 January 2016	**(55,865)**	**128,558**	**(14,104)**	**58,589**
Credited/(charged) to the consolidated income statement *(note 7(a))*	**(6,474)**	**(1,097)**	**(9,812)**	**(17,383)**
At 31 December 2016	**(62,339)**	**127,461**	**(23,916)**	**41,206**

	2016 RMB'000	2015 RMB'000
Representing:		
Deferred tax assets	**127,461**	128,558
Deferred tax liabilities	**(86,255)**	(69,969)
	41,206	58,589

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB778,094,000 (2015: RMB547,988,000) at 31 December 2016, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

(d) Deferred tax liabilities not recognised:

As at 31 December 2016, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB4,099,018,000 (2015: RMB3,353,304,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2016		2015	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	2,442,271	244,227	2,435,345	243,534
Issue of shares under share option scheme	–	–	6,926	693
At 31 December	2,442,271	244,227	2,442,271	244,227
RMB'000 equivalent at 31 December		216,322		216,322

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless 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.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 30.

(vi) Property revaluation reserve

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.

(vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(g).

(viii) Distributability of reserves

At 31 December 2016, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2016 was RMB1,151,246,000 (2015: RMB1,824,130,000). After the end of the reporting period, the directors proposed no dividend (2015: HK$11.61 cents, equivalent to RMB9.84 cents) per ordinary share (2015: RMB240,387,000). This dividend has not been recognised as a liability at the end of the reporting period.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital *(Note 32 (a))* RMB'000	Share premium *(Note 32 (b)(i))* RMB'000	Exchange reserve *(Note 32 (b)(iv))* RMB'000	Share-based compensation reserve *(Note 32 (b)(v))* RMB'000	Hedging reserve *(Note 32 (b)(vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	216,322	1,666,254	(111,950)	19,067	(54,585)	269,826	2,004,934
Changes in equity for 2016:							
Loss for the year	–	–	–	–	–	(546,927)	(546,927)
Other comprehensive income							
— Exchange difference on translation of financial statements	–	–	182,875	–	–	–	182,875
— Cash flow hedge:							
— Effective portion of changes in fair value	–	–	–	–	(18,276)	–	(18,276)
— Transfer from equity to profit or loss	–	–	–	–	31,705	–	31,705
Total comprehensive income	–	–	182,875	–	13,429	(546,927)	(350,623)
Final dividends approved in respect of the previous year *(note 32(c)(ii))*	–	–	–	–	–	(240,295)	(240,295)
Equity settled share-based payment *(note 6(b))*	–	–	–	(1,951)	–	2,388	437
	—	–	–	(1,951)	–	(237,907)	(239,858)
Balance at 31 December 2016	216,322	1,666,254	70,925	17,116	(41,156)	(515,008)	1,414,453

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity (Continued)

Company (Continued)

	Share capital *(Note 32 (a))* RMB'000	Share premium *(Note 32 (b)(i))* RMB'000	Exchange reserve *(Note 32 (b)(iv))* RMB'000	Share-based compensation reserve *(Note 32 (b)(v))* RMB'000	Hedging reserve *(Note 32(b) (vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	215,770	1,652,831	(163,478)	20,067	(43,467)	627,454	2,309,177
Changes in equity for 2015:							
Loss for the year	–	–	–	–	–	(90,491)	(90,491)
Other comprehensive income							
— Exchange difference on translation of financial statements	–	–	51,528	–	–	–	51,528
— Cash flow hedge:							
— Effective portion of changes in fair value	–	–	–	–	(114,056)	–	(114,056)
— Transfer from equity to profit or loss	–	–	–	–	102,938	–	102,938
Total comprehensive income	–	–	51,528	–	(11,118)	(90,491)	(50,081)
Final dividends approved in respect of the previous year *(note 32(c)(ii))*	–	–	–	–	–	(267,416)	(267,416)
Issue of new shares under share option scheme *(note 32(a)(i))*	552	13,423	–	(3,016)	–	–	10,959
Equity settled share-based payment *(note 6(b))*	–	–	–	2,016	–	279	2,295
	552	13,423	–	(1,000)	–	(267,137)	(254,162)
Balance at 31 December 2015	216,322	1,666,254	(111,950)	19,067	(54,585)	269,826	2,004,934

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the end of the reporting period of nil (2015: HK$11.61 cents (equivalent to RMB9.84 cents) per ordinary share)	–	240,387

No interim dividend was declared and paid during the year.

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$11.61 cents (equivalent to RMB9.84 cents) per ordinary share (2015: HK$13.6 cents (equivalent to RMB10.88 cents) per ordinary share)	240,295	267,416

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

The gearing ratio at 31 December 2016 and 2015 was as follows:

	2016 RMB'000	2015 RMB'000
Current liabilities		
— Bank loans	514,265	1,045,045
— Other loans	90,000	725,000
— Senior notes	960,216	771,354
	1,564,481	2,541,399
Non-current liabilities		
— Bank loans	1,851,175	1,136,733
— Other loans	300,000	397,700
— Senior notes	7,662,270	6,515,531
— Corporate Bonds	2,978,128	–
	12,791,573	8,049,964
Total debt	14,356,054	10,591,363
Less:		
— Cash and cash equivalents	(9,776,310)	(7,422,350)
— Restricted bank deposits secured against bank loans and other loans	(6,026)	(35,683)
Net debt	4,573,718	3,133,330
Total equity	6,997,326	7,317,519
Gearing ratio	65.4%	42.8%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from restricted bank deposits, cash and cash equivalents, bank loans and other loans. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2016, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB67,808,000 (2015: RMB53,400,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2015.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

Restricted bank deposits and cash and cash equivalents are deposited with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2016					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	542,372	415,919	796,671	923,060	2,678,022	2,365,440
Other loans	96,300	96,300	217,800	33,284	443,684	390,000
Senior notes	1,582,189	3,270,011	5,673,214	–	10,525,414	8,622,486
Corporate bonds	180,000	179,507	3,049,808	–	3,409,315	2,978,128
Payables and accruals	14,806,167	35,760	–	–	14,841,927	14,566,921
Patent payable	–	30,000	30,000	–	60,000	60,000
	17,207,028	4,027,497	9,767,493	956,344	31,958,362	28,982,975
Financial guarantees issued: — Maximum amount guaranteed *(note 35)*	22,641,341	–	–	–	22,641,341	–

	2015					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	1,127,186	252,671	436,817	596,476	2,413,150	2,181,778
Other loans	802,000	97,200	300,082	33,599	1,232,881	1,122,700
Senior notes	1,285,813	1,335,350	4,545,758	1,897,049	9,063,970	7,286,885
Payables and accruals	13,448,222	926,819	–	–	14,375,041	14,365,631
Patent payable	–	45,000	60,000	–	105,000	105,000
	16,663,221	2,657,040	5,342,657	2,527,124	27,190,042	25,061,994
Financial guarantees issued: — Maximum amount guaranteed *(note 35)*	18,713,811	–	–	–	18,713,811	

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2016 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2016		2015	
	Singapore Dollars '000	**United States Dollars '000**	Singapore Dollars '000	United States Dollars '000
Cash and cash equivalents	**83**	**186,590**	201	271,583
Senior notes	**(199,488)**	**(1,093,445)**	(372,847)	(894,806)
Gross exposure arising from recognised assets and liabilities and overall net exposure	**(199,405)**	**(906,855)**	(372,646)	(623,223)

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables of RMB266,974,000 (2015: RMB4,166,974,000) from PRC subsidiaries.

A reasonably possible increase/decrease of 5% (2015: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB352,384,000 (2015: RMB138,352,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of SGD175m Senior Notes, SGD200m Senior Notes and USD200m Senior Notes due in 2021 as discussed in notes 28(a), 28(d) and 28(f) respectively.

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities, other industry indications, as well as the Group's liquidity needs. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2015: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) *Financial assets and liabilities measured at fair value (Continued)*

Fair value hierarchy (Continued)

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities:				
— Listed equity securities in Hong Kong	105,868	105,868	–	–
Derivative financial instruments:				
— Redemption call option of US$200m Senior Notes	19,411	–	19,411	–
— Redemption call option of US$400m Senior Notes	2,873	–	2,873	–
— Redemption call option of US$300m Senior Notes	12,333	–	12,333	–
— Foreign exchange swap contracts	27,074	–	27,074	–
Liabilities:				
Derivative financial instruments:				
— Foreign exchange swap contracts	159,394	–	159,394	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities:				
— Listed equity securities in Hong Kong	76,932	76,932	–	–
Derivative financial instruments:				
— Redemption call option of US$200m Senior Notes	3,208	–	3,208	–
— Redemption call option of US$400m Senior Notes	2,265	–	2,265	–
— Redemption call option of US$300m Senior Notes	5,032	–	5,032	–
Liabilities:				
Derivative financial instruments:				
— Foreign exchange swap contracts	236,630	–	236,630	–

During the years ended 31 December 2015 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options of US$200m Senior Notes, US$400m Senior Notes and US$300m Senior Notes in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of forward exchange swap contract in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The fair values of these financial instruments are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015. Amounts due from/(to) related companies, associates, joint ventures, and non-controlling interests are either recoverable/(repayable) on demand or with no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2016 not provided for in the financial statements are as follows:

	2016 RMB'000	2015 RMB'000
Properties under development undertaken by the Group		
— Authorised but not contracted for	**11,831,350**	13,229,742
— Contracted but not provided for	**5,443,571**	4,693,284
	17,274,921	17,923,026
Properties under development undertaken by joint ventures attributable to the Group		
— Authorised but not contracted for	**1,617,493**	1,901,687
— Contracted but not provided for	**1,006,293**	456,254
	2,623,786	2,357,941

34 COMMITMENTS (Continued)

(b) Commitments for operating leases

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**4,253**	6,475
After 1 year but within 5 years	**17,015**	16,893
After 5 years	**88,624**	92,207
	109,892	115,575

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

35 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2016 is as follows:

	2016 RMB'000	2015 RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
— the Group's properties	**14,514,045**	13,061,140
— the joint ventures' properties (the Group's shared portion)	**4,562,996**	1,751,341
	19,077,041	14,812,481

35 CONTINGENT LIABILITIES (Continued)

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties (Continued)

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB2,914,300,000 at 31 December 2016 (2015: RMB3,901,330,000). At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and their transaction prices were RMBNil.

(c) Liquidity support given to 河南建業物業管理有限公司 (for identification purpose, in English, Henan Jianye Property Management Company Limited ("Jianye Property Management"))

The Group provided liquidity support in favour of Jianye Property Management, an independent third party, for an amount of RMB650,000,000 as at 31 December 2016 in relation to Asset-backed Securities issued by Jianye Property Management. Details of the Assets-backed Securities are disclosed in the Company's announcement dated 13 April 2016. The service fee of RMB1,300,000 was recognised in 2016.

36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2016 are as follows:

	Note	2016 RMB'000	2015 RMB'000
Interest income from joint ventures	*(a)*	**101,579**	114,963
Interest income from non-controlling interests	*(a)*	**13,127**	9,966
Interest expenses to joint ventures	*(b)*	**(107,674)**	–
Interest expenses to non-controlling interests	*(b)*	**(7,399)**	(9,410)

Notes:

(a) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.

(b) The amounts represent interest expenses in relation to loans from joint ventures and non-controlling interests.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries in 2016

During the year ended 31 December 2016, the Group acquired equity interests in seven entities which held property development projects. After the completion of the acquisition, these seven entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration
					RMB'000
15 April 2016	Universal Food City Development (Henan) Company Limited*	57.53%	42.47%	100%	150,000
21 November 2016	Henan Yuanda Company Limited*	51.61%	48.39%	100%	422,773
21 November 2016	Puyang Jianye City Development Company Limited*	51.22%	48.78%	100%	594,369
11 August 2016	Zhengzhou Anyong Properties Limited*	0%	100%	100%	354,179
21 October 2016	Zhengzhou Ansheng Geological Cuture Development Limited*	0%	80%	80%	203,011
24 October 2016	Henan Shanhao Real Estate Development Company Limited*	0%	100%	100%	117,492
24 October 2016	Henan Yuxuan Real Estate Development Company Limited*	0%	100%	100%	47,241

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries in 2016 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount	Adjustments	Recognised values on acquisitions
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,799	–	2,799
Other financial assets	1,000	–	1,000
Tax recoverable	11,309	–	11,309
Properties for sale	1,892,313	1,166,164	3,058,477
Trade and other receivables	1,235,174	–	1,235,174
Deposits and prepayments	68,321	–	68,321
Restricted bank deposits	17,744	–	17,744
Cash and cash equivalents	60,034	–	60,034
Bank loans	(149,800)	–	(149,800)
Trade and other payables	(1,262,274)	–	(1,262,274)
Receipts in advance	(62,160)	–	(62,160)
Net identified assets and liabilities	1,814,460	1,166,164	2,980,624
Non-controlling interests			(50,752)
			2,929,872
Satisfied by:			
Cash			1,889,065
Carrying amount of interests in joint ventures as at acquisition date			973,846
Fair value gain upon acquisition of subsidiaries (note 5)			66,961
			2,929,872
Total consideration paid			1,889,065
Total cash and cash equivalents acquired			(60,034)
Net cash outflow			1,829,031

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries in 2016 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB51,998,000 and loss attributable to the equity shareholders of the Company of RMB1,842,000 to the Group for the year ended 31 December 2016. Should the acquisitions had occurred on 1 January 2016, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2016 would have been RMB9,779,467,000 and RMB240,148,000 respectively.

The Group incurred acquisition-related costs of RMB180,000, and have been included in "general and administrative expenses".

(b) Disposals of subsidiaries in 2016

During the year ended 31 December 2016, the Group disposed equity interests in the below two entities. After the completion of the disposal, the Group retained certain equity interests in Henan Shengtai Real Estate Company Limited and Anyang Central China City Development Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposals	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration
					RMB'000
23 June 2016	Henan Shengtai Real Estate Company Limited*	100%	100%	0%	32,632
25 December 2016	Anyang Central China City Development Company Limited*	55%	5.50%	49.50%	5,500

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposals of subsidiaries in 2016 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	318
Properties for sale	203,678
Trade and other receivables	279,427
Cash and cash equivalents	213,880
Other loans	(400,000)
Payables and accruals	(79,060)
Receipts in advance	(93,935)
Tax payable	(1,427)
Non-controlling interests	(40,744)
Net assets	82,137
Net gain on disposals of subsidiaries *(note 5)*	813
	82,950
Satisfied by:	
Cash	38,132
Interests in joint ventures	44,818
	82,950
Total consideration received	38,132
Total cash and cash equivalents disposed	(213,880)
Net cash outflow	(175,748)

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(c) Deemed disposals of subsidiaries in 2016

During the year ended 31 December 2016, certain investors invested in the below subsidiaries, which diluted the Group's equity interests in these entities (see note 17(c)). Details of the deemed disposals of subsidiaries during the year are summarised as follows:

Dates of deemed disposals	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
27 June 2016	Kaifeng Central China Real Estate Company Limited*	100%	40%	60%
1 January 2016	Xinyang Tianheng Real Estate Company Limited*	100%	49.69%	50.31%

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

The deemed disposals of subsidiaries had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	19,288
Properties for sale	965,206
Trade and other receivables	809,766
Deposits and prepayments	104,850
Tax recoverable	288
Restricted bank deposits	6,631
Cash and cash equivalents	97,075
Payables and accruals	(1,141,990)
Receipts in advance	(36,806)
Tax payable	(7,813)
Net assets	816,495
Net loss on deemed disposals of subsidiaries *(note 5)*	(18,611)
	797,884
Satisfied by:	
Interests in joint ventures	797,884
Total cash and cash equivalents disposed	(97,075)
Net cash outflow	(97,075)

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2015

During the year ended 31 December 2015, the Group acquired equity interests in three entities which held property development projects and accounted for as joint ventures before acquisition. After the completion of the acquisition, these three entities become the Group's wholly-owned subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration
					RMB'000
13 July 2015	Henan Huihuacheng Construction Development Company Limited*	49%	51%	100%	51,000
11 August 2015	Zhengzhou Central China Tianming Property Company Limited*	60%	40%	100%	770,667
11 August 2015	Henan Coal Chemical Central China Real Estate Development Investment Company Limited*	51.15%	48.85%	100%	712,942

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2015 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisitions RMB'000
Property, plant and equipment	395	–	395
Properties for sale	4,729,450	832,160	5,561,610
Trade and other receivables	3,341,834	–	3,341,834
Deposits and prepayments	78,720	–	78,720
Tax recoverable	152,866	–	152,866
Restricted bank deposits	108,295	–	108,295
Cash and cash equivalents	71,184	–	71,184
Bank loans	(1,350,000)	–	(1,350,000)
Other loans	(900,000)	–	(900,000)
Payables and accruals	(1,809,486)	–	(1,809,486)
Receipts in advance	(1,991,690)	–	(1,991,690)
Net identified assets and liabilities	2,431,568	832,160	3,263,728
Satisfied by:			
Cash			1,534,609
Carrying amount of interest in joint ventures as at acquisition date			1,359,223
Fair value gain upon acquisition of subsidiaries *(note 5)*			369,896
			3,263,728
Total consideration paid			1,534,609
Total cash and cash equivalents acquired			(71,184)
Net cash outflow			1,463,425

The above subsidiaries contributed an aggregate revenue of RMB2,098,505,000 and profit attributable to the equity shareholders of the Company of RMB218,192,000 to the Group for the year ended 31 December 2015. Should the acquisitions had occurred on 1 January 2015, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2015 would have been RMB12,588,066,000 and RMB803,272,000 respectively.

The Group incurred acquisition-related costs of RMB276,000, and have been included in "general and administrative expenses" of the year ended 31 December 2015.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(e) Disposals of subsidiaries in 2015

During the year ended 31 December 2015, the Group disposed equity interests in the below four entities. After the completion of the disposal, the Group does not hold any equity interests in City Construction, but retained certain equity interests in Longyuan, Huihuacheng and Zhengzhou Tianming and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposals	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration
					RMB'000
10 May 2015	Xixian Central China Holding City Construction Company Limited* ("City Construction")	80%	80%	0%	40,000
26 June 2015	Henan Longyuan Real Estate Company Limited* ("Longyuan")	100%	30%	70%	104,100
17 September 2015	Henan Huihuacheng Construction Development Company Limited* ("Huihuacheng")	100%	100%	0%	120,000
28 December 2015	Zhengzhou Central China Tianming Property Company Limited* ("Zhengzhou Tianming")	100%	33.34%	66.66%	500,000

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37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(e) Disposals of subsidiaries in 2015 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	552
Properties for sale	5,341,771
Trade and other receivables	2,361,366
Deposits and prepayment	219,313
Tax recoverable	77,805
Restricted bank deposits	223,050
Cash and cash equivalents	29,579
Bank loans	(762,300)
Other loans	(1,300,000)
Payables and accruals	(2,488,481)
Receipts in advance	(1,210,823)
Tax payable	(12,368)
Deferred tax liabilities	(69,517)
Non-controlling interests	(9,983)
Net assets	2,399,964
Net loss on disposals of subsidiaries *(note 5)*	(116,422)
	2,283,542
Satisfied by:	
Cash	764,100
Interests in joint ventures	1,519,442
	2,283,542
Total consideration received	764,100
Total cash and cash equivalents disposed	(29,579)
Net cash inflow	734,521

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(f) Deemed disposals of subsidiaries in 2015

During the year ended 31 December 2015, certain investors invested in the below subsidiaries, which diluted the Group's equity interests in these entities. Details of the deemed disposals of subsidiaries during the year are summarised as follows:

Dates of deemed disposals	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
9 June 2015	Central China Zhiye Union Company Limited*	100%	34.37%	65.63%
1 July 2015	Universal Food City Development (Henan) Company Limited*	100%	42.47%	57.53%
23 September 2015	Central China Hengxin Property Company Limited*	100%	45.45%	54.55%

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

The deemed disposals of subsidiaries had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	439
Other financial assets	1,000
Properties for sale	769,950
Trade and other receivables	564,941
Deposits and prepayments	617,515
Tax recoverable	9,392
Cash and cash equivalents	34,316
Restricted bank deposits	63,080
Other loans	(380,000)
Payables and accruals	(739,183)
Receipts in advance	(26,328)
Net assets	915,122
Net gain on deemed disposals of subsidiaries *(note 5)*	39,373
	954,495
Satisfied by:	
Interests in joint ventures	954,495
Total cash and cash equivalents disposed	(34,316)
Net cash outflow	(34,316)

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current asset			
Interests in subsidiaries		**10,137,405**	9,474,103
Current assets			
Derivative financial instruments		**61,691**	10,505
Cash and cash equivalents		**145,405**	215,953
		207,096	226,458
Current liabilities			
Payables and accruals		**(303,950)**	(405,499)
Amount due to a subsidiary		**(3,612)**	(3,243)
Senior notes		**(960,216)**	(771,354)
		(1,267,778)	(1,180,096)
Net current liabilities		**(1,060,682)**	(953,638)
Total assets less current liabilities		**9,076,723**	8,520,465
Non-current liabilities			
Senior notes		**(7,662,270)**	(6,515,531)
		(7,662,270)	(6,515,531)
NET ASSETS		**1,414,453**	2,004,934
CAPITAL AND RESERVES	*32(b)(ix)*		
Share capital		**216,322**	216,322
Reserves		**1,198,131**	1,788,612
TOTAL EQUITY		**1,414,453**	2,004,934

Approved and authorised for issue by the board of directors on 24 March 2017.

Wu Po Sum
Executive Director

Yan Yingchun
Executive Director

39 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Valuation of investment properties

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(b) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(c) Impairment for buildings and construction in progress

As explained in note 2(l), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(d) Provision for properties for sale

As explained in note 2(m), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(e) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group assesses the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual provisions would be higher than that estimated.

(f) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(g) CIT and LAT

As disclosed in note 7, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

(Expressed in Renminbi)

39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(h) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 28. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No final dividend was proposed in respect of the year ended 31 December 2016. In respect of the year ended 2015, the directors proposed a final dividend after the reporting period. Further details are disclosed in note 32(c)(i).

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

(b) Significant financing component (Continued)

HKFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 34(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB109,892,000, the majority of which is payable in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Summary of Financial Information

A summary of the consolidated results and of the consolidated assets, liabilities and noncontrolling interests of the Group for the last five financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**9,495,022**	12,562,724	9,228,763	6,951,125	6,345,527
Profit before taxation	**1,027,511**	1,741,299	1,956,836	1,939,393	1,846,062
Income tax	**(623,391)**	(937,264)	(999,244)	(854,542)	(976,268)
Profit for the year	**404,120**	804,035	957,592	1,084,851	869,794
Attributable to:					
Equity shareholders of the Company	**402,973**	801,290	883,301	1,025,930	823,086
Non-controlling interests	**1,147**	2,745	74,291	58,921	46,708
	404,120	804,035	957,592	1,084,851	869,794
Earnings per share (RMB cents)					
— Basic	**16.50**	32.84	36.27	42.16	33.90
— Diluted	**16.50**	32.84	36.26	42.06	30.71

Summary of Financial Information (Continued)

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Assets					
Non-current assets	**10,352,722**	10,286,536	7,411,809	7,827,718	7,171,263
Current assets	**33,973,078**	29,471,468	29,938,289	23,689,635	17,177,001
Total assets	**44,325,800**	39,758,004	37,350,098	31,517,353	24,348,264
Liabilities					
Current liabilities	**(24,390,646)**	(24,215,552)	(22,073,291)	(18,823,456)	(13,514,048)
Non-current liabilities	**(12,937,828)**	(8,224,933)	(8,209,891)	(5,994,050)	(5,211,006)
Total liabilities	**(37,328,474)**	(32,440,485)	(30,283,182)	(24,817,506)	(18,725,054)
Net assets	**6,997,326**	7,317,519	7,066,916	6,699,847	5,623,210
Equity					
Total equity attributable to equity shareholders of the Company	**6,422,063**	6,798,660	6,443,162	6,022,696	5,169,661
Non-controlling interests	**575,263**	518,859	623,754	677,151	453,549
Total equity	**6,997,326**	7,317,519	7,066,916	6,699,847	5,623,210