新明中国控股
XINMING CHINA

XINMING CHINA HOLDINGS LIMITED
新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2699

2016
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*
Mr. Feng Cizhao
Mr. Wong Thian Tsu Michael

Non-Executive Director

Ms. Gao Qiaoqin

Independent Non-Executive Directors

Mr. Gu Jiong
Mr. Lo Wa Kei, Roy
Mr. Fong Wo, Felix

AUDIT COMMITTEE

Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

REMUNERATION COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Fong Wo, Felix
Mr. Lo Wa Kei, Roy

NOMINATION COMMITTEE

Mr. Chen Chengshou *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

AUTHORIZED REPRESENTATIVES

Mr. Chen Chengshou
Mr. Kam Chun Ying Francis

COMPANY SECRETARY

Mr. Kam Chun Ying Francis

COMPLIANCE ADVISER

China Everbright Capital Limited

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS IN THE PRC

Block I, 5th Floor
Hengli Building
No. 5 Huang Long Road, Hangzhou
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2612, Tower One
Admiralty Centre,
18 Harcourt Road, Admiralty,
Hong Kong

COMPANY'S WEBSITE ADDRESS

http://www.xinm.com.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank, Jiang Qiao Branch
Bank of China, Nan Xiang Branch
Hangzhou United Bank, Kang Qiao Branch

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Li & Partners (as to Hong Kong Laws)
Jingtian & Gongcheng (as to PRC Laws)

LISTING INFORMATION

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 02699)

CHAIRMAN'S STATEMENT

To all the shareholders,

I hereby announce the annual results of the Company, together than its subsidiaries (the "Group") for the year ended December 31, 2016, on behalf of the board of directors.

In 2016, the growth of global economy slowed down in company of continuous fluctuation, and Chinese economy steadily developed in the "new normal". While the economic structure was continuously optimized and upgraded, the growth of real economy slowed down temporarily. Stimulated by a range of slack policies launched by the central government, the real estate of Mainland China warmed up on the whole, but still suffered from the problems of aggravated market segmentation, continuous stock pressure and structural surplus. Challenged by the end of high growth, real estate enterprises successively began to explore ways of transformation and innovation, as well as new fields of real estate development, with the aim of finding new growth points.

With a view to the changing market environment and continuous market pressure, Xinming China actively responded to the segmentation of the commercial property market, actively adjusted the business strategies, and steadily promoted the development of child-centric commercial property, through continuous exploration. The Group is transforming from "extensive" rapid expansion to the "refined" and "high-quality" special growth mode.

Considering the enormous pressure of competition arising from homogenization and impact of e-commerce, Xinming China realized the huge opportunities brought by full-scale implementation of the two-child policy and the new round of infant boom early in 2015, and made clear the operation mode centered on children-centric commercial complexes by prospectively focusing on the field of child-centric commercial property. Furthermore, in 2016, the Group set the goal of being an excellent operator that operates the whole of the maternity, baby and child supplies chain, and made significant effects in this regard. In details, the group steadily carried forward "Chinese Bambino" projects in two major cities (Shanghai, Hangzhou), actively built the brand, and made efforts to found one-stop commercial centers that cover the whole of the maternity, baby and child supplies chain, so as to meet increasingly refined customer demands and establish a new benchmark for the development of China's maternity, baby and child supplies industry. In addition, with awareness of the boom of "Internet+", Xinming China is exploring the O2O mode to further optimize the business modes and maximize the return on investment.

Faced with continuously-upgraded customer demands, the Group will make efforts to combine online and offline cooperation platforms over different channels, and strengthen the collaboration among industry chains based on the unique orientation to maternity, baby and child supplies market, so as to provide new consumption experience and service for maternities, babies and children, continuously increase the value of "Chinese Bambino", and boost the formation of the new pattern –"association between strong enterprises for win-win future".

Xinming China always adheres to the core value "acquire customers with sincerity, vitalize business with morality" and the operation principle "establish a benchmark for the industry". During the Year under Review, the Group was included in the "China TOP 10 Commercial Property Brands 2016", and then titled "China Excellent Operator of Special Real Estate – Child-centric Property". This demonstrates that the Group's brand value and operating capacity are highly recognized in the industry.

Challenges and opportunities will coexist in the real estate in the future. Xinming China will be more active in the maternity, baby and child-centric commercial property market, which is growing by leaps and bounds. For this, the Group has expressed a requirement named "double-barreled". According to the requirement, with the aim of establishing a benchmark of children-centric property, "Chinese Bambino (Shanghai)" should open at the end of 2017, and "Chinese Bambino (Hangzhou)" should open in the first half of 2018; in 5-10 years, the project mode of "Chinese Bambino" should be promoted to all first-tier and second-tier cities. As expected by Xinming China, efforts should be concentrated to develop commercial complexes focused on marketing of maternity, baby and child supplies, so as to provide impetuses for continuous growth of the group; contributions should be made to promoting business development and economic vitalization in cities, and the shareholders and the society should be benefited to a higher level with excellent performance. In addition to solidify the commercial property business, for the purpose of diversified development, the Group will continue to explore online business modes and real estate financing, and comprehensively improve the business framework through long-run strategic upgrade. In 2017, Xinming China will steadily and surely carry forward transformation and upgrade.

Finally, on behalf of the board of directors, I would like to express sincere thanks to the managements and the staff for their unremitting endeavors, and all the shareholders for their support and trust.

Xinming China Holdings Limited
Chairman and Chief Executive Officer
Chen Chengshou

Hangzhou, China
30 March, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW AND OPERATION MANAGEMENT

The Chinese economy maintained stable and steady growth in 2016. GDP growth reached 6.7% while the central government continued to deepen the structural reform of the economy. With regard to the Chinese real estate market, data published by the National Bureau of Statistics shows that in 2016, nationwide house sales increased 34.8% year-on-year to RMB11.76 trillion. The floor area sold rose 22.5% year-on-year to 1,576 million square meters. As residential property adjustment policies were frequently launched in 2016, the residential property sector was gradually coming under pressure, while the commercial property sector continued to heat up, although it is increasingly facing enormous selling pressure.

Both the implementation of the two-child policy and the upgrade of the Chinese consumption structure, led to the maternity, baby & children (MBC) market experiencing explosive growth. The China Research Center for Children's Industry predicts that the MBC market in China will reach RMB2.2 trillion in 2016 and will exceed RMB3 trillion in 2018. In addition, the faster upgrading of both the rigid demand and consumption concept of Chinese consumers will keep raising the need for differentiated products and high-quality consumer experience.

To face challenges such as the surplus of commercial properties and the exponential growth of e-commerce, Xinming China has relied on its sound business instinct and sharp strategic insight. It has continuously innovated the development modes, meticulously exploited the child-centric property market, and committed itself to being an outstanding operator covering the whole MBC supply chain. In 2016, Xinming China promoted brand split to formulate the "one body, four prongs" business strategy. Xinming China aimed at improving the value of the "Chinese Bambino" brand and continued to expand the Chinese Bambino brand by founding more MBC themed malls in first and second tier cities in China. Xinming China will cooperate with Red Star Macalline and Easyhome to build large-scale home supplies plazas in second-

tier and third-tier cities. In reference to "Xinming Peninsula", multiple large-scale communities will be established in different regions; CBD high-end office buildings will be erected in first-tier and second-tier cities nationwide.

In 2016, Xinming China worked hard to build "Chinese Bambino" as a brand targeting children's consumption, featuring a love-themed, complete shopping process and covering all the trades of clothing, food, amusement, entertainment, shelter, travel, health care and education. As a model of Xinming China's strategy for developing the MBC supplies chain, "Chinese Bambino (Shanghai)" (total building area: 185,782.2 square meters, investment: RMB2 billion) was planned under the leadership of Mr. HARUMI, a famous Japanese business expert, who also provided the motion and involved in designing for the project, and will be operated completely by a professional operation management team of UDS Co., Ltd. for full Japanese brand merchants business. This project entered the stage of preparation, and is expected to formally open in first half of 2018. By theme, it is preliminary divided into four zones. There are recreation facilities themed by "amusement space"; facilities themed by "good life"; facilities themed by "creative space" which aims to foster children's perceptions and creativity; and the "culture & food" theme reflected by safe and wholesome foods, educational supplies and cultural supplies.

Meanwhile, the project "Chinese Bambino (Hangzhou)" (total building area: approximately 113,143 square meters, paid-in investment: approximately RMB2.1 billion) engaged the famous Japanese company UDS Co., Ltd. to plan for the commerical orientation and arrange the design consulting. The project was also carried forward actively and orderly, expected to formally open in the second half of 2018. This project covers interactive trades that support each other, such as shopping, hotel, cinema, athletics, food, science, puzzle game, bookstore, arts and training, all of which target children. Every year, more than 100 brands will organize activities there to promote new products. This project will be built as a children consumption center that features leisure, experience and multifunction.

BUSINESS REVIEW

During the Year ended 31 December 2016 (the "Year under Review"), the Group recorded a total revenue of approximately RMB660.0 million, representing a decrease of RMB688.8 million or approximately 51.1% from approximately RMB1,348.8 million of 2015. The annual sales and Gross Floor Area ("GFA") sold were approximately RMB593.1 million and 34,478.7 square meters, representing a decrease of approximately RMB659.9 million or approximately 52.7% and a decrease of approximately 111,501.3 square meters compared to approximately RMB1,253 million and approximately 145,980 square meters in 2015, respectively. The average selling price for sales was RMB17,202.1 per square meter, representing an increase of 100.1% year-on-year, which was mainly due to the effect of the increase in the average selling price of Shanghai Xinming • Children's World.

Profit attributable to the shareholders of the Company amounted to approximately RMB10.2 million, representing a decrease of approximately 97.2% from a profit of approximately RMB367.6 million in 2015. It is mainly attributable to the decrease of change in fair value of investment properties and the provision for impairment of the completed properties for sale. Profit per share were approximately RMB0.01.

The Directors did not recommend the payment of final dividend for the year ended 31 December 2016.

As at 31 December 2016, total assets of the Group amounted to approximately RMB7,887.2 million (31 December 2015: approximately RMB7,562.9 million); total liabilities were approximately RMB5,946.7 million (31 December 2015: approximately RMB5,652.7 million); total equity was approximately RMB1,940.5 million (31 December 2015: approximately RMB1,910.2 million); and net assets per share were approximately RMB1.03 (31 December 2015: approximately RMB1.02).

Property Development

As at 31 December 2016, the Group's property portfolio comprised 18 property development projects with an aggregate GFA of approximately 2,268,690 sq.m. under various stages of development in various cities in the PRC.

The following table sets forth a summary of our portfolio of property development projects as at 31 December 2016:

				COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	Location	Existing use	Site area (sq.m.)	GFA completed (sq.m.)	Saleable GFA (sq.m.)	Non-saleable GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Estimated date of completion	Estimated stage of completion	Equity attributable to the Group
Completed														
Taizhou Xinming Peninsular	Taizhou													
Phase 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercia	86,667	189,387	157,005	32,382	4,374	-	-	-	-	-	-	100%
Phase 2 – Stage 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercia	66,600	121,498	111,723	9,775	144	-	-	-	-	-	-	100%
Phase 2 – Stage 2	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercia	52,540	152,624	125,824	26,800	275	-	-	-	-	-	-	100%
Xinming International Household Products Mall and Exhibition Center	No. 8, North Section, Taizhou boulevard, Jiaojiang District; No. 27 Building, No. 8, North Section, Taizhou boulevard, Jiaojiang District, Taizhou City	Commercial	131,768	207,908	100,151	107,757	2,957	-	-	-	-	-	-	100%
Xinming International Logistic Centre	No. 2000, No. 2001, Gongren West Road, Jiaojiang District, Taizhou City	Warehouse	49,711	20,862	-	20,862	-	-	-	-	-	-	-	100%
Xinming Lijiang Garden	Xinming Lijiang Garden, No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	Residential, Commercial	63,431	210,988	177,466	33,522	7,796	-	-	-	-	-	-	100%
Wenshang Times • Red Star Macalline Household Products Market	No. 1990, East Ring boulevard, Jiaojiang District, Taizhou City	Commercial	11,000	67,239	-	67,239	-	-	-	-	-	-	-	100%
Wenshang Times • Xinming Household Decorations and Fittings City	No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City (Xinming Household Decorations and Fittings City)	Commercial	44,871	67,251	44,415	22,836	23,003	-	-	-	-	-	-	100%
Wenshang Times • Times Furniture Expo Centre (formerly known as Xinming Apartment)	No. 1990-1, East Ring boulevard, Jiaojiang District, Taizhou City	Residential	10,263	39,942	35,605	4,337	1,227	-	-	-	-	-	-	100%
Xingmeng Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	37,814	62,664	60,288	2,376	56,924	-	-	-	-	-	-	75%
Shanghai Xinming • Children's World	No. 2800, Fengxiang Road, Nanxiang Town, Jiading District, Shanghai Municipality/ No. 699, Liuxiang Road, Nanxiang Town, Jiading District, Shanghai Municipality	Commercial	39,720	186,261	93,216	48,725	53,338	-	-	-	-	-	-	79%
Under Development														
Chongqing Xinming# • China South-western City Phase 1	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	175,581	108,636	105,966	2,670	56,014	171,550	64,743	29,965	-	December 2017	90%	60%
Hangzhou Xinming • Children's World	No. 698, River Road, Gongshu District, Hangzhou	Commercial	30,499	-	-	-	-	162,927	100,026	24,960	-	December 2017	70%	100%
Zone B of Xingmeng International Commercial City phase 1	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	23,200	-	-	-	-	29,629	26,176	-	-	December 2017	100%	75%
Future Development														
Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	82,912	-	-	-	-	-	-	-	179,944	April 2018	-	75%
Commercial Building Project	Business Office Building of Taizhou Investment, No. 8, North Section, Taizhou Boulevard, Jiaojiang District (East side of Jiaojiang Bridge)	Commercial	16,236	-	-	-	-	-	-	-	68,204	-*	-	100%
Chongqing Xinming • China South-western City Phase 2	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	73,582	-	-	-	-	-	-	-	110,373	May 2017	-	60%
Chongqing Xinming • China South-western City Phase 3	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Residential	44,321	-	-	-	-	-	-	-	110,803	November 2017	-	60%
Total			**1,040,666**	**1,435,260**	**1,011,659**	**379,281**	**206,052**	**364,106**	**190,945**	**54,925**	**469,324**			

Note:

No. 3 and No. 6 Buildings of Chongqing Xinming China South-western City Phase 1 have been completed.

* The project remains suspended due to the amendment of local government's planning and development policy.

Property Sales

During the Year under Review, the Group recorded property sales (net of government subcharges) of approximately RMB593.1 million, a decrease of approximately 52.7% as compared to approximately RMB1,253.8 million of 2015. Total GFA delivered during the Year under Review was approximately 34 thousand square meters, representing a decrease of approximately 76.4% in comparison to 2015. Major projects delivered during the Year under Review include Shanghai Xinming • Children's World. The average selling price was RMB17,202.1 per square meter, representing an increase of approximately 100.1% compared to that of last year, which was mainly due to the effect of the increase in the average selling price of Shanghai Xinming • Children's World. Property sales remained the largest revenue source to the Group, representing 89.9% of its total revenue. Property sales decreased during the Year under Review, mainly due to the decrease in revenue from property sales caused by the decrease in GFA in Taizhou and Chongqing.

The following table summarizes the property projects of the Group sold during the Year under Review:

Project	**Location**	**Sale GFA** *(sq.m.)*	**Income** *(RMB million)*	**Average selling price** *(RMB/sq.m.)*
Taizhou Xinming Peninsular	Taizhou			
Phase 1	Taizhou	567.0	2.0	3,527.3
Phase 2 – Stage 2	Taizhou	2,026.7	19.1	9,424.2
Xinming Lijiang Garden	Taizhou	3,153.3	20.5	6,501.1
Wenshang Times – Xinming Household Decorations and Fittings City	Taizhou	52.8	1.1	20,833.3
Wenshang Times – Xinming Apartment	Taizhou	194.9	0.3	1,539.3
Chongqing Xinming – China South-western City Phase 1	Chongqing	833.7	7.9	9,475.8
Shanghai Xinming • Children's World	Shanghai	25,958.0	525.1	20,228.8
Xingmeng International Commercial City	Tengzhou	1,692.3	17.1	10,104.6
Total		34,478.7	593.1	17,202.1

Property Leasing

We carry out our property leasing business through leasing our commercial properties held for investment and leasing the sold commercial properties leased back from third parties by the Group. As at 31 December 2016, the actual area leased out was approximately 181,053 square meters, representing approximately 83% of the Group's total investment properties held-for-lease and the sold commercial properties acquired by leasing back from third parties.

During the Year under Review, the rental income was approximately RMB49.6 million, representing a decrease of approximately 36.8% as compared to RMB78.5 million in 2015, mainly due to the decrease in rental income resulted from the reduction of rentable area as the maturity of the leased back shopping malls of Taizhou Property (台州置業).

Property Management

The Group provides property management services to the owners of residential properties developed by the Group through Zhejiang Xinming Property Services Limited* (浙江新明物業服務有限公司) until the owners of such development projects are allowed by law to select their own property management companies.

During Year under Review, revenue from the provision of property management services (net of government surcharges) was approximately RMB17.4 million, an increase of 5.5% as compared to RMB16.5 million in 2015, mainly due to the increase of the properties number and GFA under management.

Land Reserves

As at 31 December 2016, the Group's property portfolio included 18 property development projects located in a number of cities throughout China. Each property was at different stages of development on that date, but total GFA amount to approximately 1,349,446 square meters, of which approximately 516,016 square meters was completed, approximately 364,106 square meters was under development, and approximately 469,324 square meters was held for future development.

The following table summarizes the Group's land reserve by geographical location as at 31 December 2016:

Location	Saleable GFA remaining unsold/ GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA for future development (sq.m.)	Total land reserve (sq.m.)	Proportion to the total land reserve (%)
Taizhou	229,040	–	68,204	297,244	22.0
Shanghai	102,063	–	–	102,063	7.6
Chongqing	127,989	171,550	221,176	520,715	38.6
Tengzhou	56,924	29,629	179,944	266,497	19.7
Hangzhou	–	162,927	–	162,927	12.1
Total	516,016	364,106	469,324	1,349,446	100.0

PROSPECT

In 2017, making progress while ensuring stability will be the keynote of economy in China, and more proactive and effective fiscal policies will be unveiled and implemented. Deepening the supply-side structural reform and vigorously revitalizing the real economy will create a good environment for steady development of the real estate market. While hot-spot cities will resume their steady development, the keynote of de-stocking will still prevail in most third-tier and fourth-tier cities. Furthermore, considering that the real estate is being transformed from extensive development to refined development, there is undoubtedly an immense room for development in this industry.

Aiming to be an outstanding operator that operates the whole of the MBC supply chain, the Group will continue to devote great efforts to building commercial complexes focused on marketing of MBC supplies. "Chinese Bambino" high-quality products and services for MBC will be released through construction with merchants mainly comprise Japanese domestic brands and in-depth partnering with numerous well-known merchants at home and abroad.

The Group will actively expand the application of O2O mode. In details, no effort will be spared to build a national top-ranking service platform branded by "Chinese Bambino" for operation of MBC supplies chain through "online + offline" two-way interaction, by using offline resources of "Chinese Bambino". The O2O platform will enhance the ability of "Chinese Bambino" to attract high-value members, optimize seller-customer communication and improve the performance of the merchants thereon, thereby maximizing the returns on marketing and investment.

The Group will steadily carry forward the projects "Chinese Bambino (Shanghai)" and "Chinese Bambino (Hangzhou)", so as to lay a firm foundation for attracting the brand in first-tier and second-tier cities and other high-growth regions.

In addition, the Group will actively explore ways of diversified development, and expand its business to the financial sector to create move room for future growth.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales, property leasing and property management services, which contributed about 89.9%, 7.5% and 2.6%, respectively, to the revenue of 2016. The Group's revenue decreased by RMB688.8 million, or 51.1%, to RMB660.0 million for 2016 from RMB1,348.8 million for 2015.

With the slowdown of economy in China, oversupply in domestic commercial property market and the shock effect from e-commerce, the property investment in domestic commercial property from investors or end-users decreased. The decrease in revenue was mainly due to the decrease in revenue from properties sales as a result of the reduced GFA of properties delivered in Taizhou and Chongqing during the Year under Review.

Cost of sales

The Group's cost of sales decreased by RMB623.00 million, or 66.7%, to RMB311.3 million for 2016 from RMB934.3 million for 2015. The decrease was primarily attributable to the decrease in the total GFA of properties delivered during the Year under Review as compared with last year, which led to the decrease in the cost of property sales.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB348.8 million, representing a decrease of approximately RMB65.8 million or 15.9% as compared to RMB414.6 million in the last year; the gross profit margin was approximately 52.8%, representing an increase of approximately 22.1% as compared to approximately 30.7% in the last year. It was mainly due to the higher selling price of major property project in Shanghai delivered during the Year under Review.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB5.9 million, decreased by approximately RMB10.2 million or 63.4% as compared to approximately RMB16.1 million in the last year, which was mainly due to the decrease of foreign exchange gain as compared to that of last year.

Selling and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB179.0 million, representing a decrease of approximately RMB5.1 million or approximately 2.8% as compared to approximately RMB184.1 million in the last year. The proportion of selling and distribution costs to the sales increased to approximately 14.3% from approximately 5.4% of the last year, mainly due to the increase of approximately RMB20.9 million from advertisement, sales commission and market promotion expense as compared with last year and the decrease in the revenue from properties sales. On the contrary, administrative expense decreased by approximately RMB25.9 million as compared with last year, mainly due to the decrease in listing preparation expense of approximately RMB18.7 million and office expenses of RMB2.5 million last year.

Other expenses

Other expenses during the Year under Review was approximately RMB28.5 million, representing an increase of approximately RMB17.9 million as compared to approximately RMB10.6 million in the last year, which was mainly because that provision of impairment for the completed properties held for sale of Wenshang Times and Tengzhou projects increased by approximately RMB8.7 million during the Year under Review.

Change in fair value of investment properties

During the Year under Review, the gain on change in fair value of investment properties amounted to approximately RMB59.4 million, representing a decrease of approximately RMB472.9 million or 88.8% compared to the gain on change in fair value of investment properties of approximately RMB532.3 million for the last year, mainly due to decrease in the fair value of investment properties of Chongqing Xinming • China South-western city.

Finance costs

During the Year under Review, the net interest costs amounted to approximately RMB0.1 million, representing a decrease of approximately RMB1.7 million or approximately 94.4% as compared to approximately RMB1.8 million of last year. The decrease of the financial cost was mainly due to the decrease of notional interest.

Operation profit

During the Year under Review, the operation profit amounted to approximately RMB206.5 million, representing a decrease of approximately RMB560.1 million or approximately 73.1% as compared to approximately RMB766.6 million in the last year. The decrease was mainly due to the decrease in the revenue from properties sales and the fair value of investment properties as compared to that of last year.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB179.4 million, representing a decrease of approximately RMB95.3 million or approximately 34.7% as compared to approximately RMB274.7 million in the last year, mainly due to the significant decrease in change of deferred tax of RMB125.6 million. On the contrary, the income tax and land appreciation tax increased by approximately RMB30.3 million.

Profit attributable to the shareholders

During the Year under Review, the profit attributable to the shareholders amounted to approximately RMB10.2 million, representing a decrease of approximately RMB357.4 million or approximately 97.2% as compared to last year. The basic profit per share amounted to approximately RMB0.01 per share, as compared to the basic profit per share of approximately RMB0.30 per share of last year.

Cash flows

As at 31 December 2016, cash and bank deposits of the Group, including restricted cash, were approximately RMB968.7 million (31 December 2015: approximately RMB931.6 million), representing an increase of approximately RMB37.1 million or 4%.

During the Year under Review, the net cash generated from operating activities was approximately RMB158.4 million (financial year ended 31 December 2015: net cash used of approximately RMB1,138.7 million). The net cash generated from investing activities was approximately RMB3.0 million (financial year ended 31 December 2015: net cash used of approximately RMB0.2 million). The net cash used in financing activities was approximately RMB127.2 million (financial year ended 31 December 2015: net cash generated of approximately RMB1,527.1 million).

Pursuant to the exclusive management and operation agreement entered into between the Company's commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by the Group or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 31 December 2016 and for the exclusive management and operation agreement entered into by the Company, in the period from 1 January 2017 to 1 July 2019, we would have a maximum net cash outflow of approximately RMB14 million and RMB20 million for years 2018 and 2019, respectively, and net cash inflow of approximately RMB10 million for 2017. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements we had entered into as at 31 December 2015.

Borrowings

As at 31 December 2016, the total bank loans and other borrowings of the Group were approximately RMB3,009.5 million, representing an increase of approximately RMB11.4 million as compared to approximately RMB2,998.1 million as at 31 December 2015.

The borrowings repayable within one year of the Group was approximately RMB1,544.5 million, representing an increase of approximately RMB1,139.4 million as compared to approximately RMB405.1 million as at 31 December 2015. Borrowings repayable after one year was approximately RMB1,464.9 million, representing a decrease of approximately RMB1,128.1 million as compared to approximately RMB2,593.0 million as at 31 December 2015.

Trade receivables, prepayments, deposits and other receivables

As at 31 December 2016, the total assets of trade receivables, prepayments, deposits and other receivables of the Group were approximately RMB291.9 million, representing a decrease of approximately RMB105.1 million as compared to approximately RMB397.0 million as at 31 December 2015. Of which, the decrease of approximately RMB80.2 million in the deposits and other receivables was mainly due to the decrease in sales deposits for Shanghai Xinming • Children's World. On the contrary, other tax recoverable increased by approximately RMB14.9 million.

Trade payables, advances from customers and other payables

As at 31 December 2016, the total trade payables, advances from customers and other payables of the Group was approximately RMB1,791.3 million, representing a decrease of approximately RMB156.1 million as compared to approximately RMB1,635.2 million as at 31 December 2015. The decrease was mainly due to the decrease in trade payables of approximately RM361.9 million.

Assets and liabilities

As at 31 December 2016, the total assets of the Group were approximately RMB7,887.2 million, representing an increase of approximately RMB324.2 million as compared to approximately RMB7,563.0 million as at 31 December 2015. The total current assets were approximately RMB4,721.3 million, representing approximately 59.9% (31 December 2015: approximately 59.3%) of the total assets, increased by approximately RMB234.3 million as compared to approximately RMB4,487.0 million as at 31 December 2015. However, the total non-current assets were approximately RMB3,165.9 million, representing approximately 40.1% (31 December 2015: approximately 40.7%) of the total assets, increased by approximately RMB89.9 million as compared to approximately RMB3,076.0 million as at 31 December 2015.

As at 31 December 2016, the total liabilities of the Group were approximately RMB5,946.7 million, representing an increase of approximately RMB294.0 million as compared to approximately RMB5,652.7 million as at 31 December 2015. The total current liabilities were approximately RMB4,054.9 million, representing approximately 68.2% (31 December 2015: approximately 47.4%) of the total liabilities, increased by approximately RMB1,376.4 million as compared to approximately RMB2,678.5 million as at 31 December 2015. However, the total non-current liabilities were approximately RMB1,891.8 million, representing approximately 31.8% (31 December 2015: approximately 52.6%) of the total liabilities, decreased by approximately RMB1,082.5 million as compared to approximately RMB2,974.3 million as at 31 December 2015.

As at 31 December 2016, the net current assets of the Group were approximately RMB666.5 million, representing a decrease of approximately RMB1,142.0 million as compared to approximately RMB1,808.5 million as at 31 December 2015, mainly due to the increase in the bank loans due with one year.

Current ratio

As at 31 December 2016, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.16:1 (31 December 2015: 1.7:1).

Gearing ratio

As at 31 December 2016, the gearing ratio of the Group which is total bank loans and other borrowings as a percentage of total equity, was 155.1% (31 December 2015: 157.0%).

Significant events

There is no significant event during the Year under Review.

Material event after the reporting period

On 24 February 2017, the Company entered into a Share Purchase Agreement with Mr. Loong Ping Tong, Peter ("Mr. Loong") to acquire the entire equity interest in Mainland Securities Limited held by Mr. Loong with a consideration of HK$18 million. The acquisition is subject to the satisfaction of certain precedent conditions. Please refer to the voluntary announcement of the Company dated 24 February 2017 for more details.

Save as disclosed above, there is no material event after the Year under Review.

Significant investments

During the Year under Review, the Group has no significant investment.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Year under Review, there is no material acquisitions and disposals of subsidiaries and affiliated companies.

Guarantees on mortgage facilities

As at 31 December 2016, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB17.8 million (31 December 2015: approximately RMB15.2 million).

Assets guarantees

As at 31 December 2016, the Group has pledged and restricted deposits in the bank deposits of approximately RMB500.0 million (31 December 2015: approximately RMB500.0 million). In addition, partial bank borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the 100% equity interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), the non-executive Director, Ms. Gao Qiaoqin ("Ms. Gao"), the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge. As at 31 December 2016, the pledged assets secured certain borrowings granted to the Group was RMB5,422.4 million (31 December 2015: approximately RMB5,311.0 million).

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB21.9 million, mainly included construction facilities expenses (31 December 2015: approximately RMB100.5 million).

Capital commitments

As at 31 December 2016, the capital commitments related to activities of properties under development was approximately RMB549.0 million (31 December 2015: approximately RMB1,309.2 million).

Contingent liabilities

Details of contingent liabilities are set out in note 32 to the financial statements.

Exposure to exchange rate fluctuations

The Group operates mainly in Renminbi, and certain bank deposits of the Group are dominated in Hong Kong dollars. Save as disclosed above, the Group was not exposed to any material exchange rate fluctuations risk and did not enter into foreign currency hedging policies. However, the Group will monitor closely the exchange risk and may, as the case maybe and depending on the trend of foreign currency, consider to apply significant foreign currency hedging policies in the future.

Employees and remuneration policy

As at 31 December 2016, the Group has a total of 463 employees (31 December 2015: total 443 employees). The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and cash bonus. Moreover, the Group has also adopted a share option scheme and a share award scheme. No share option was granted, exercised or cancelled by the Company since the adoption of the share option scheme.

Use of proceeds

The Group's business objectives and planned use of proceeds as stated in the prospectus dated 23 June 2015 (the "Prospectus") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of the Company's shares (the "Global Offering") were approximately HK\$623.2 million (approximately RMB519.17 million). During the period from 6 July 2015 (the "Listing Date") to the date of this annual report, the net proceeds from the Global Offering had been applied as follows:

Business objectives as stated in the Prospectus	**Actual net proceeds** *RMB'000*	**Amount utilized up to 31 December 2016** *RMB'000*	**Balance as at 31 December 2016** *RMB'000*
Development for existing projects	363,417	(363,417)	–
Development for potential projects	103,833	(103,833)	–
General working capital purposes	51,917	(51,917)	–
	519,167	(519,167)	–

EXECUTIVE DIRECTORS

Mr. Chen Chengshou (陳承守), aged 50, was appointed as the executive Director, chairman, chief executive officer, chairman of nomination committee and the authorized representative of the Company on 16 January 2014. He is the founder of our Group and primarily responsible for corporate strategic planning and overall business development of our Group. Mr. Chen had approximately 30 years of experience in the real estate industry. He has been the chairman of the board of 台州市新明房地產開發有限公司(Taizhou City Xinming Real Estate Development Company Limited*) since February 2007 and the director of our certain subsidiaries. Mr. Chen has been first participated in the management of the property development business in the PRC since June 2001 when he was appointed as chairman of 杭州桃源山莊房地產開發有限公司(Hangzhou Taoyuan Shanzhuang Property Development Limited*).

Mr. Chen is the chairman of the 杭州市溫州商會(Hangzhou City Wenzhou Chamber of Commerce*), the chairman of the 全國泰順企業家聯誼會(Nationwide Taishun Entrepreneurs Fellowship Association*), the vice-chairman of 杭州市總商會(Hangzhou City Chamber of Commerce*), the vice-chairman of 杭州公共外交協會(Hangzhou Public Diplomacy Association*), a member of the standing committee of 浙江省工商聯(Federation of Industry & Commerce of Zhejiang Province*) and a committee member of the 中國人民政治協商會議第十一屆杭州市委員會(Eleventh Hangzhou City Committee of the Chinese People's Political Consultative Conference*). He was appointed as the deputy director of the market committee of 中國商業聯合會(Chinese General Chamber of Commerce*) in March 2013. He has also been a director of Wenzhou Bank since November 2012 and a part-time tutor of master degree in international business of Zhejiang University (浙江大學) since February 2014.

Mr. Chen was awarded "「傑出杭商」(Excellent Entrepreneur of Hangzhou*)" in October 2016, "「2013-2015年度溫商回歸突出貢獻人物」(Outstanding Contribution of Entrepreneurs of Wenzhou for years 2013 to 2015*)" in September 2016, ""十二五"浙江房地產十大風雲人物 (Top ten in Zhejiang Real Estate Industry in the "十二五"*)" in June 2016, "世界溫商百名風雲人物——在外傑出溫商三十人榮譽 (Worldwide Outstanding 30 people of Entrepreneur of Wenzhou (External)*)" in February 2016; "「世界溫州人年度人物」(Wenzhou People of the Year*)" and "「世界溫商百名風雲人物」(One Hundred Excellent Entrepreneur of Wenzhou*)" in December 2014; "品質杭商(Entrepreneur with Good Character of Hangzhou*)" jointly by 中共杭州市委 (Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府(The People's Government of Hangzhou*) in October 2013, "「誠信溫商」傑出代表(Outstanding Representative of Credible Entrepreneurs of Wenzhou*)" jointly by 溫州市委宣傳部 (Promotion Department of Wenzhou Municipal Committee of the Communist Party of China *) and 溫州市信用辦公室 (Wenzhou Credibility Office*) in August 2011, "優秀社會主義事業建設者(Outstanding Builder of Socialist Undertaking*)" jointly by 中共杭州市委 (Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府 (The People's Government of Hangzhou*) in September 2010 and "關愛員工優秀企業家 (Staff Caring Excellent Entrepreneur*)"jointly by 杭州市總工會 (Federation of Trade Union of Hangzhou*) and 杭州市工商聯合會 (Hangzhou Federation of Industry and Commerce) in December 2009.

Mr. Chen is the spouse of Ms. Gao Qiaoqin, the non-executive Director of the Company.

Mr. Chen obtained a graduation certificate in Administrative Management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2013. He obtained Executive Master degree in Business Administration in CheungKong Graduate School of Business (長江商學院) in the PRC in September 2015. Mr. Chen is currently pursuing his EMBA in PBC School of Finance of Tsinghua University (清華大學五道口金融學院) in the PRC.

Mr. Feng Cizhao (豐慈招), aged 41, has been appointed as an executive Director of the Company with effect from 31 October 2015.

Mr. Feng graduated from Zhejiang University of Finance & Economics (浙江財經學院) and obtained his college degree in accounting in 2005, and then obtained the MBA degree from Zhejiang Gongshang University (浙江工商大學) in 2013.

Mr. Feng has extensive experiences in financing and management. He served as deputy chief financial officer of Taidi Holdings Group Co. Ltd.* (泰地控股集團有限公司) from August 2011 to September 2015. He worked with the finance department of Shaoxing Wantong Real Estate* (紹興萬通房產) and Margaret Business Management Company* (瑪格麗特商業管理公司) (both subsidiaries of Taidi Holdings Group Co. Ltd.* (泰地控股集團有限公司)) as the chief financial officer from September 2006 to July 2011. Mr. Feng acted as the head of office for Hangzhou Qingcheng Real Estate Development Co., Ltd.* (杭州青城房地產開發有限公司) from October 2002 to September 2006. He held several positions in Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司) from July 1996 to September 2002, including accountant with the planning and finance department of Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司), finance manager with the cargo container company and the automobile repair company under Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司).

Mr. Wong Thian Tsu Michael (黃天賜), aged 56, has been appointed as an executive Director of the Company with effect from 24 June 2016. He has been working in the overseas investment department of the Company since 1 June 2016, and is responsible for the Company's development strategic plan and the promotion and strategy development of the Company's projects overseas. Mr. Wong graduated from University of New South Wales and obtained his degree in Economics and Finance in 1983.

Mr. Wong has over 30 years of experience in matching candidates to projects in the financial industry, particularly with commodities and physical asset investments. Prior to joining the Group, he served as principal & lead consultant of Ecopal Ltd in Singapore from March 2006 to September 2015. He worked with WP Capital in Singapore as the financial consultant from March 2001 to June 2005. Mr. Wong acted as the deputy vice president in the Malaysian branch of IAM Malaysia (Japan) ADB BHD from March 1997 to September 2001.

NON-EXECUTIVE DIRECTOR

Ms. Gao Qiaoqin (高巧琴), aged 48, was appointed as our non-executive Director on 10 June 2014. She is responsible for advising on overall strategic planning of our Group but not participate in the day-to-day management of our Group's business operation. She has approximately 9 years of experience in the real estate industry.

Ms. Gao obtained a graduation certificate in computer information management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2005.

Ms. Gao is the spouse of Mr. Chen, who is the chairman, executive Director and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong (顧炯), aged 44, was appointed as our independent non-executive Director, the chairman of remuneration committee, member of audit committee and nomination committee on 8 June 2015. He is the independent non-executive director of Chen Xing Development Holdings Limited (stock code:2286) listed on the Hong Kong Stock Exchange. Mr. Gu has been the chief financial officer of CMC Capital Partners, an investment fund specialized in media and entertainment investments in China and globally, from September 2013. He served as the chief financial officer in BesTV New Media Co., Ltd (stock code:600637), whose shares are listed on Shanghai Stock Exchange from January 2010 to September 2013.

Mr. Gu has been a non-practising member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

Mr. Lo Wa Kei, Roy (盧華基), aged 45, was appointed as our independent non-executive Director, and the chairman of audit committee on 8 June 2015. Mr. Lo has extensive experience in auditing, accounting and finance. Mr. Lo is a managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among others, audit and business advisory services.

He has been serving as an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including Sun Hing Vision Group Holdings Limited (stock code: 125), China Zhongwang Holdings Limited (stock code: 1333), Sheen Tai Holdings Group Company Limited (stock code: 1335), China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited") (stock code: 715), Quam Limited (stock code: 952) and Wan Kei Group Holdings Limited (stock code: 1718). He also served as an independent non-executive director of North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited") (stock code: 433), a company listed on the Hong Kong Stock Exchange, since September 2004 to November 2015.

Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lo was the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and also the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association.

Mr. Fong Wo, Felix (方和), BBS, JP, aged 66, was appointed as our independent non-executive Director, member of audit committee, nomination committee and remuneration committee on 8 June 2015. He is a consultant of King & Wood Mallesons, a global law firm headquartered in Asia. Mr. Fong has practiced law for over 30 years and is a member of the Law Societies of Hong Kong, Canada and England.

Mr. Fong has been serving as an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), Evergreen International Holdings Limited (stock code: 238), China Investment Development Limited (formerly known as Temujin International Investments Limited) (stock code: 204), Sheen Tai Holdings Group Company Limited (stock code: 1335).From May 2010 to the end of May 2016, he also served as an independent non-executive director of China Oilfield Services Limited (stock code: 2883: HK; 601808: SHA), whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Fong is the immediate past Chairman of the Hong Kong Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communication Authority.

Mr. Fong received his engineering degree from McMaster University in Canada in June 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in June 1978. Mr. Fong was admitted as a barrister in Ontario, Canada in 1980, a solicitor in England and Wales in 1986 and in Hong Kong in 1987. Mr. Fong is appointed by the Ministry of Justice of China as one of the China-appointed Attesting Officers in Hong Kong.

SENIOR MANAGEMENT

Mr. Kam Chun Ying Francis (甘俊英先生), aged 50, was appointed as one of the joint secretaries to the Board and the Company Secretary by the Company in July 2016 and Chief Investment Officer in January 2017, mainly responsible for internal control and risk matters, organisation of rules of procedures of Board meeting and general meeting, listing compliance supervision and keeping close investor relations and communication. Before joining the Company, Mr. Kam has been served as the qualified accountant of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司) (stock code: 02722), a company listed on the main board of Hong Kong Stock Exchange, since 2008. He has served as the chief risk officer of Precision Technologies Group (PTG) Limited of UK since July 2013. Mr. Kam was the financial controller of TFH Management Limited in 2006, and was responsible for finance operations and corporate compliance in both the private and listed companies within that group. Between August 1986 and April 1989, Mr. Kam worked for Deloitte Touche Tohmatsu, previously known as Deloitte Haskins Sells, as a senior account assistant. He has over 20 years of experience in corporate and finance management. He has been a member of the Hong Kong Institute of Certified Public Accountants in the United Kingdom since June 1996 and a fellow of the Chartered Association of Certified Accountants since June 2001. Mr. Kam graduated from Heriot-Watt University in the United Kingdom in November 2004 with a master's degree in business administration.

Mr. Chen Liming (陳黎明), aged 40, served as the deputy engineering director of Shanghai Xinming Global Property Limited, a subsidiary of the Company, since May 2015, mainly responsible for the project quality, progress and cost management for the projects of Shanghai Xinming Global Property. Mr. Chen joined our Company since March 2014 and acted as the deputy engineering director of Shandong Xingmeng project. Mr. Chen graduated from Xi'an Jiaotong University in civil engineering in July 2003.

Ms. Ji Hefei (紀和斐), aged 35, has been acted as Human Resources Director of the Company since November 2016, mainly responsible for human resources management, administrative management, information and logistic management. Ms. Ji joined Xinming Group Limited, which was the holding company of the Group's operating subsidiaries before listing of the Company, ("XG Limited") and served as HR officer in April 2006. In July 2015, Ms. Ji was re-designated to the Company from XG Limited. Ms. Ji graduated from information management and information system in Zhejiang Sci-Tech University in July 2006.

Mr. Li Jie (李傑), aged 43, was appointed as the chief executive officer of the Company in February 2017, mainly assisted the president to manage the overall operation of the Group and the formulation and implementation of overall strategy of the Company. Mr. Li joined XG Limited in October 2006 and has ever served as general manager of XG Limited's subordinate company Zhejiang Xinming Property Services Limited, XG Limited's president assistant, full-time assistant for XG Limited's president and general manager of Shandong Xingmeng Property Limited. Mr. Li obtained MBA from Business School, Netherlands in July 2012.

Ms. Li Yaqin (李亞琴), aged 36, has been served as vice president of administration of the Company's subsidiary Taizhou Xinming Property Limited in September 2013, mainly responsible for human resources management and administrative management. Ms. Li joined XG Limited in April 2009 and served as administrative supervisor. Ms. Li graduated from public services and management of Zhejiang University in November 2008.

Ms. Quan Xiaolin (全筱琳), aged 46, was appointed as our executive Director on 10 June 2014. She is mainly responsible for risk management and general secretarial matters of the Board. Ms. Quan resigned executive Director of the Company on 12 June 2016, but still serves as one of the joint secretaries to the Board, mainly responsible for general secretarial matters of the Board. Ms. Quan joined XG Limited in October 2004 and was re-designated to the Company from XG Limited in July 2015. Ms. Quan obtained a graduation certificate in Financial Accounting from Zhejiang Radio & Television University (浙江廣播電視大學) in the PRC in January 2002.

Mr. Wang Haihan(王海涵), aged 46, joined the Company in August 2016 as vice president of the Company, mainly responsible for financial management. Mr. Wang graduated from Southwest University in June 1992 in investment management.

Ms. Wu Yaqin (吳雅琴), aged 38, has been served as project general manager of the Company's subsidiary Hangzhou Xinming Property Limited in April 2014 mainly responsible for the project development and management of Hangzhou Xinming Property. Ms. Wu joined XG Limited and served as marketing manager in August 2005. Ms. Wu graduated from Zhejiang University in July 2001 in accounting.

Mr. Xie Cheng (謝丞), aged 38, has been served as vice president and general manager of the Company's subsidiary Chongqing Xinming Property Limited since May 2016, mainly responsible for the project development and management of Chongqing Xinming Property. Mr. Xie joined XG Limited in September 2015 and acted as vice president. Mr. Xie graduated from Sichuan Normal College with a diploma in Chinese Language and Literature in July 2001.

Ms. Zhu Xiaohui (朱曉暉), aged 40, has been served as the chief inspector of the cost control department since January 2016, mainly responsible for the cost control. Ms. Zhu joined XG Limited and served as the engineer of the cost control department in December 2007. In July 2015, Ms. Zhu was re-designated to the Company from XG Limited. Ms. Zhu graduated from Hunan Urban Construction Institution in industry and civil construction.

MISSION

The Board is committed to maintaining high standards of corporate governance and to ensure high transparency in operation, so as to enhance the operation effectiveness of the Company and to protect the interests of the Shareholders in all respects. The Board endeavors to perform strict integrity and ethics in every aspect of business, to maintain sound risk management and internal control system and to absorb high caliber members to the Board.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2016, the Board had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the disclosure in "Chairman and Chief Executive Officer"below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company.

BOARD OF DIRECTORS

Structure

As at the date of this annual report, the Board comprised three executive Directors, one non-executive Director and three independent non- executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*
Mr. Feng Cizhao
Mr. Wong Thian Tsu Michael (appointed on 24 June 2016)

Non-executive Director

Ms. Gao Qiaoqin

Independent Non-executive Directors

Mr. Fong Wo, Felix
Mr. Gu Jiong
Mr. Lo Wa Kei, Roy

The independent non-executive Directors (the "INEDs") represent one-third members of the Board. The profiles of all Directors are set out on pages 21 to 24 of this annual report. Save as disclosed in this annual report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship. The INEDs are highly experienced professionals and businessmen with a broad range of expertise and experience in accounting, finance, legal and business management and one of them has appropriate professional accounting qualification as required by the Hong Kong Stock Exchange.

The Board is responsible for directing and supervising the Company's affairs. Each Director acts in good faith for the best interest of the Company. The Directors are collectively and individually responsible to the Company for the manner in which the affairs of the Company are managed, controlled and operated. They had devoted sufficient time and attention to the Company's affairs during the Year under Review.

At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. As such, the term of office of each Director has been specified under the Articles of Association.

The Company has arranged appropriate liability insurance to indemnify the Group's Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Assistance to Directors in Decision Making

Throughout their period in office, the Directors have been informed of the Group's business, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole. They have also been advised on appointment of their legal and other duties and obligations as directors of a company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors.

Conduct of Meetings

The Directors are consulted and properly briefed for matters to be included in the meeting agenda. The Board is supplied with relevant information as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days' notice of a regular Board meeting is given to all Directors providing them with the opportunity to attend the meeting. For regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are dispatched to all Directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and will be adequately prepared for the meeting. Senior management is invited to attend the meeting to address to the Board members' queries. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making purpose.

The Chairman has delegated the responsibility to the company secretary of the Company (the "Company Secretary") for drawing up and approving the meeting's agenda for each Board meeting, taking into account of any matter proposed by the other Directors for inclusion in the agenda. The proceedings of the Board at its meetings are generally monitored by the Chairman who would ensure that sufficient time is allocated for discussion and consideration of each item on the agenda. Equal opportunities are given to each Director to express his/her views and concerns.

All Directors have full access to the advice and services of the Company Secretary to ensure the Board's procedures, rules and regulations are followed. Draft and final versions of minutes of each Board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of the Board and the Board committees' meetings are kept by the Company, which are open for inspection by the Directors on reasonable notice.

For the year ended 31 December 2016, the board of director held 6 meetings. Individual attendance of each committee member at the meeting held during the Year under Review is as follows:

Board meetings	**No. of Board meetings attended/held (Percentage of attendance in total)**
Directors during the Year	
Executive Directors	
Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*	6/6 (100%)
Mr. Feng Cizhao	6/6 (100%)
Mr. Wong Thian Tsu Michael (appointed on 24 June 2016)	3/3 (100%)
Ms. Quan Xiaolin (appointed on 10 June 2014 and resigned on 12 June 2016)	3/3 (100%)
Mr. Zhou Yongkui (appointed on 10 June 2014 and resigned on 12 June 2016)	3/3 (100%)
Non-executive Director	
Ms. Gao Qiaoqin	4/6 (67%)
Independent non-executive Directors	
Mr. Gu Jiong	6/6 (100%)
Mr. Lo Wa Kei, Roy	6/6 (100%)
Mr. Fong Wo, Felix	6/6 (100%)

Works Performed

During the Year under Review, besides attending the Board meetings to consider and make decision on corporate governance, risk management, statutory compliance, accounting, finance and business matters, the Directors had brought independent opinion and judgment on the Company's strategy, performance and standards of conduct; had taken the lead where potential conflicts of interests arose; had served on Board committees; endorsed on various corporate governance related matters and policies; had ensured that the Board maintained high standards of financial and other mandatory reporting; carried out reviews on matters reported by the Board committees, and had provided adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole. In addition, the Board delegates to the Company's management certain functions include the implementation of general daily operation, strategies approved by the Board, the implementation of internal control procedures and ensuring compliance with relevant requirements and other rules and regulations.

Each of the non-executive Directors has entered into a letter of appointment with the Company with a term of three years.

During the Year under Review, the non-executive Director and INEDs had actively participated in the Board meetings, brought independent judgment and given their comments to the information or reports submitted to the meetings.

Besides attending the Board or committee's meetings, in order to make timely decision and have effective implementation of the Company's policy and practice, the Board had also adopted written resolutions signed by all Directors to make decision on corporate affairs from time to time.

As part of the continuing process on supervising the Company's affairs, the Directors, acting through by the audit committee of the Company (the "Audit Committee"), had reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function.

Independent Non-executive Directors' Confirmation

The Company has received, from each INED, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered that all the INEDs are independent. The Company is in compliance with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the INEDs.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of the Company ("CEO"). The Group therefore does not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Vesting the roles of both chairman and CEO in Mr. Chen has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and CEO of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Board Committees

The Board has established the Audit Committee, remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") with defined roles and terms of reference.

AUDIT COMMITTEE

Structure

The Company established the Audit Committee on 8 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3.4 of the CG Code as set out in Appendix 14 to the Listing Rules. The updated terms of reference of the Audit Committee are adopted on 29 December 2015, and is available on the websites of the Hong Kong Stock Exchange and the Company. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

All the Audit Committee members possess diversified industry experience. The chairman of the Audit Committee has appropriate professional qualification, accounting or related financial management expertise as required by the Listing Rules.

As at the date of this annual report, the Audit Committee is made up of three INEDs, namely:

Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

Function

The Audit Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange. The major duties of the Audit Committee are summarized below:

i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

ii) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

iii) to review the Company's financial controls, risk management and internal control systems, unless the risk committee otherwise under the Board or the Board itself has expressly dealt with it;

iv) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

v) to consider and identify risks of the Group and consider effectiveness of the Group's decision making processes in crisis and emergency situations and approve major decisions affecting the Group's risk profile or exposure.

Conduct of Meetings

The Audit Committee shall meet at least twice each year. The Company prepares and delivers an information memorandum that includes all relevant information about the meetings to the Audit Committee members at least 3 days prior to such meetings. During the Year under Review, the Audit Committee members reviewed the information memorandum with due care and discussed with the Company's senior management during the meetings. Minutes drafted by the Company Secretary were circulated to the Audit Committee members for comments within a reasonable time after each meeting. Executed minutes were kept by the Company and copies of the minutes were sent to the Audit Committee members for records.

For the year ended 31 December 2016, the Audit Committee has held two meetings and individual attendance of each Audit Committee member at the meetings held is as follows:

Members	**No. of Audit Committee meetings attended/held (Percentage of attendance in total)**
Mr. Lo Wa Kei, Roy *(Chairman)*	2/2 (100%)
Mr. Gu Jiong	2/2 (100%)
Mr. Fong Wo, Felix	2/2 (100%)

Works Performed

The works performed by the members of Audit Committee during the Year under Review are summarized as below:

i) reviewed and considered the accounts and consolidated financial statements of the Group for the annual and interim accounts;

ii) reviewed, discussed and agreed with the independent auditor in respect of the audit fee for the Year under Review; the terms of the engagement letters; the nature, scope of audit and reporting obligations for the Year under Review;

iii) reviewed and assessed the adequacy and effectiveness of the Group's financial reporting and controls, internal control procedures and risk management systems;

iv) reviewed the corporate governance practices and monitored the progress of compliance of the CG Code and its disclosure in the Corporate Governance Report;

v) reviewed the performance of the properties of the Group for the year ended 31 December 2016;

vi) review the continuing connected transactions to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements in respect of these continuing connected transactions;

vii) reviewed the adequacy of resources, qualifications and experience of the staff in accounting and financial reporting function, and the training programmers and budget; and

viii) discussed with independent auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules and other financing reporting requirements.

Overall, the Audit Committee is satisfied with the condition of the Company, including the corporate governance practices, internal control system, qualifications and experience of the staff in accounting and financial reporting function, and the training programmers.

One of the specific works vested upon the Audit Committee is to develop and review the Company's policies and practices on corporate governance. Upon reviewed by the Audit Committee and endorsed with approval by the Board, the main policy for the Company's corporate governance is to develop the Company itself as a sustainable and competitive company in the business sector in the interests of the Company and the Shareholders as a whole, with an aim for a prudent and profitable development and long term achievement of growth through the well-established corporate governance principles, risk monitoring management and practices. As a listed company in Hong Kong, the Company is obliged to follow the principles, code provisions and recommended best practices (if applicable) set forth in Appendix 14 to the Listing Rules as the substantial requirement on achieving a high corporate governance standard as well as a fundamental part of the corporate governance policy of the Company.

REMUNERATION COMMITTEE

Structure

The Remuneration Committee has been established on 8 June 2015 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and code provision B.1.3 of the CG Code as set out in Appendix 14 to the Listing Rules with the roles to assist the Board in reviewing and determining the framework or broad policy for remuneration packages of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board.

As at the date of this annual report, the Remuneration Committee is made up of three INEDs, namely:

Mr. Gu Jiong *(Chairman)*
Mr. Lo Wa Kei, Roy
Mr. Fong Wo, Felix

Function

The principal responsibilities of the Remuneration Committee are as follows:

i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy;

ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of their office or appointment);

iii) to make recommendations to the Board on the remuneration of executive and non-executive Directors; and

iv) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company.

The Remuneration Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee should consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive Directors and have access to independent professional advice if considered necessary.

Conduct of Meetings

For the year ended 31 December 2016, the Remuneration Committee held 2 meetings, to consider and recommend, among others, to the Board on the annual remuneration of the Directors and senior management for the Year under Review. Individual attendance of each committee member at the meetings held is as follows:

Members	No. of Remuneration Committee meetings attended/held (Percentage of attendance in total)
Mr. Gu Jiong *(Chairman)*	2/2 (100%)
Mr. Fong Wo, Felix	2/2 (100%)
Mr. Lo Wa Kei, Roy	1/1 (100%)
Mr. Zhou Yongkui (resigned on 12 June 2016)	1/1 (100%)

Works Performed

The works performed by the members of the Remuneration Committee during the Year under Review are summarized as below:

i) considered and made recommendations to the Board for endorsement of the remuneration policy of the Company (including the adoption of the share award scheme and the share option scheme) and letters of appointment of the Directors and senior management with major terms and conditions, to comply with the CG Code; and

ii) assessed performance of executive Directors and considered and made recommendations to the Board on the remuneration of the Directors and senior management for the Year under Review.

Pursuant to code provision B.1.5 of the CG Code, the five highest paid employees during the year included one director (2015: one director), details of whose remuneration are set out in note 8 to the financial statements. Details of the remuneration for the year of the remaining four (2015: four) highest paid employees who are neither a director nor chief executive of the Company are set out in note 9 to the financial statements. During the Year under Review, the remuneration paid to the senior management fell within the following band:

Remuneration band	Number of individuals
Nil to HK$1,000,000	4

NOMINATION COMMITTEE

Structure

The Nomination Committee was established on 8 June 2015 with written terms of reference in compliance with code provisions A.5.2 and A.5.3 of the CG Code as set out in Appendix 14 to the Listing Rules with the role to lead the process and to make recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of challenges and opportunities facing the Company, as well as business development and requirements of the Company.

As at the date of this annual report, the Nomination Committee is made up of one executive Director and two INEDs, namely:

Mr. Chen Chengshou *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

Function

The principal responsibilities of the Nomination Committee are as follows:

i) to review the structure, size and composition (including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and service term, etc.) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

ii) to assess the independence of the independent non-executive Directors; and

iii) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

Board Diversity Policy

The Nomination Committee has adopted a "Board Diversity Policy" for the nominations of Directors to achieve diversity on the Board. The Board deeply believes that the diversity will benefit a lot to the Company. To achieve the goal of sustainable and balanced development, the Company regards the increasing diversity to the strategic goals as the key element. The Board adheres to the principle "talent is priority", and appoints the directors who can contribute to the diversity of our Company. The Company devotes to find the most suitable people as the member of committee. The Company will base on the scope of diversity, not only including the education background, experience, skills, knowledge and term of appointment but also including (not limited to) gender, age, culture background and nationality. The final determination is that the contribution candidates can make. As at the date of the annual report, the information (including gender, age and term of appointment) of the Board is as follows:

Member	Gender	Age	Term
Mr. Chen Chengshou	Male	50	3 years and 3 months
Mr. Feng Cizhao	Male	41	1 year and 5 months
Mr. Wong Thian Tsu Michael	Male	56	9 months
Ms. Gao Qiaoqin	Female	48	2 years and 9 months
Mr. Fong Wo, Felix	Male	66	1 year and 9 months
Mr. Gu Jiong	Male	44	1 year and 9 months
Mr. Lo Wa Kei, Roy	Male	45	1 year and 9 months

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications; and

(C) members of the Board shall consists of professional talents both from PRC and Hong Kong.

For the year ended 31 December 2016, the Board has achieved the measurable objectives in the board diversity policy.

The Nomination Committee will monitor the implementation and review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange.

Conduct of Meeting

For the year ended 31 December 2016, the Nomination Committee held 1 meeting. Individual attendance of each committee member at the meeting held is as follows:

Members	No. of Nomination Committee meetings attended/held (Percentage of attendance in total)
Mr. Chen Chengshou *(Chairman)*	1/1 (100%)
Mr. Gu Jiong	1/1 (100%)
Mr. Fong Wo, Felix	1/1 (100%)

Works Performed

The works performed by the members of Nomination Committee during the Year under Review are summarized as below:

i) considered and reviewed the policy, procedures and process and criteria for the nomination of the Directors and made recommendations to the Board for its endorsement; and

ii) reviewed the structure, size and composition of the Board and assessed on the independence of the independent non-executive Directors.

Management Functions

Basically, during the Year under Review, the Board and its committees were responsible on the following matters:

(i) oversee the general operations of the Company;

(ii) ensure effective implementation of the Board decisions and corporate governance, with the assistance of the Company Secretary;

(iii) ensure the short and long term sustainability of the business;

(iv) lead the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;

(v) provide coherent leadership to the Company;

(vi) satisfy itself on the integrity of financial information and on robustness and defensibility of the financial controls and systems of risk management and carry out review thereon;

(vii) scrutinize the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;

(viii) constructively challenge and help developing proposals on business strategy;

(ix) uphold high standards of corporate governance and compliance; and

(x) participate in the process of dealing with any conflict of interest between the Company and the Directors, his/her associates or substantial Shareholders who has material interest in the transaction with the Company.

During the Year under Review, the management was mainly responsible for:

1. daily investment, management, operation and administration of the Company;

2. compliance with the rules and regulations, including the Listing Rules, as well as to implement corporate governance policy determined by the Board;

3. draw the Directors' attention on the new corporate governance requirements;

4. organize the Board and various meetings for the Directors' discussion;

5. prepare various reports to the Board for review and decision making; and

6. organize training for the Directors.

During the Year under Review, the management provided all members of the Board with semiannually updates in accordance with the code provision C.1.2 of the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Continuing Professional Development

All Directors had participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. These trainings included but not limited to general disclosure duty related to Directors, guide on inside information disclosure, market misconduct framework, case analysis and other compliance trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

All Directors have provided records of training attendance and the Company will continue to arrange and/or fund the training in accordance with the CG Code.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Lo Wa Kei, Roy (being the chairman of the Audit Committee), Mr. Gu Jiong and Mr. Fong Wo, Felix. The Company's consolidated annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the remuneration paid or payable to the Company's independent auditor, Ernst & Young, was RMB2.2 million for audit services.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year under Review as set out in this annual report have been agreed by the Group's auditor, Ernst & Young to the amounts set out in the Group's audited consolidated financial statements for the Year under Review.

FINANCIAL REPORTING

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as other price-sensitive announcements and financial disclosures published as required under the Listing Rules.

The management provides explanation, information and progress update to the Board for it to make an informed assessment of the financial and other issues put before the Board for approval and consideration.

Throughout the Year under Review, the Directors had selected appropriate accounting policies and applied them consistently. The Directors acknowledge their responsibilities for preparing the financial accounts of the Group which give a true and fair view and are in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. A statement by the independent auditor about their reporting responsibilities for the Year under Review is set out in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledges that it is the responsibility of the Board to maintain an adequate risk management and internal control systems and to review the effectiveness of such systems on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management policy has been established to formalize the risk management of the Group, to build up a standard and effective risk management system, improve the ability of risk prevention, so as to ensure the Group is operating in a safety and steady environment, the operation management level could be increased and the Group's operational strategy and target could be achieved. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Board has delegated the work (with relevant authorities) of risk management and internal controls to the Audit Committee. For the year ended 31 December 2016, the Audit Committee, on behalf of the Board, oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;

- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and

- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Assists the Board to perform its responsibilities of risk management and internal control systems;

- Oversees the Group's risk management and internal control systems on an ongoing basis;

- Reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;

- Ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and

- Considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;

- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;

- Monitors risks and takes measures to mitigate risks in day-to-day operations;

- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit team or the external risk management and internal control review adviser; and

- Provides confirmation to the Board and Audit Committee (there is no risk management committee) on the effectiveness of the risk management and internal control systems.

Internal Audit Department

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and

- Reports to Audit Committee the findings of the review and make recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

Process Used to Identify, Evaluate and Manage Significant Risks

As a routine procedure and part of the risk management and internal control systems, Executive Directors and the senior management would meet at least once every month to review the financial and operating performance of each department. The senior management of the key operating subsidiaries is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Reports the results of risk monitoring to the management and the Board regularly.

The Group has engaged an independent professional adviser (the "Internal Control Adviser") to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2016. Such review is conducted by the Company annually. The scope of review during the Year under Review included assessments and proposed amendments to revenue and receipt cycle, procurement and expenditure cycle, inventory cycle, property, plant and equipment cycle, taxation cycle, financial reporting cycle, risk management system and information disclosure policy for one of our operating subsidiary. Internal Control Adviser has reported major findings and areas for improvement to the Audit Committee. All recommendations from Internal Control Adviser would be followed up closely to ensure that they are implemented within a reasonable period of time. The Group therefore considered that the Group's risk management and internal control processes are adequate to meet the needs of the Company in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Internal Audit Function

The internal audit department of the Company review the business activities and management behavior for the Group every half year, to identify the business risks, internal control defect, and offer improvement opinions and suggestions. During the Year under Review, the Company conducted a series of specific audit and work every half year (which covers the past six months), among other things, including:

- Financial capital audit
- The special purpose audit on project costs
- Resignation audit
- Special projects evaluation
- Testing and modification for internal control system
- Testing and modification for risk management system

Information Disclosure Policy

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

AUDIT COMMITTEE'S AND BOARD'S REVIEW

The Audit Committee and the Board had reviewed the financial control, risk management and internal control systems of the Company for the Year under Review. It considered the risk management and internal control system effective and adequate as they allowed the Board to monitor the Group's overall financial position and to provide reasonable assurance that assets are safeguarded against unauthorized use or material financial misstatement; transactions were executed in accordance with management's authorization; and the accounting records were reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities. Further reviews will be conducted on the request of any Audit Committee member, Company Secretary, or any Director.

COMPANY SECRETARY

Under code provision F.1.1 of the CG Code, the company secretary of a company should be an employee of the listed company and should have day-to-day knowledge of the Group's affairs. Ms. Lam Yuen Ling Eva was delegated by an external service provider as the company secretary with a term expiring on 30 June 2016. She also ceased to act as the authorized representative of the Company (the "Authorized Representative") in accordance with the Listing Rules on the same day. Since 1 July 2016, Mr. Kam Chun Ying Francis ("Mr. Kam") was appointed by the Company as the company secretary and one of the Authorized Representatives. For further details, please refer to the announcement dated 29 June 2016. Mr. Kam directly reports to the chief executive officer and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Kam has taken no less than 15 hours of relevant professional training for the year ended 31 December 2016.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum and articles of association on 8 June 2015, which became effective on the Listing Date. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

The Company treats all shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the shareholders' general meetings can be convened and held in strict compliance with the relevant laws and regulations. The governing structures of the Company ensure equality among all shareholders, especially the minority shareholders and that they will undertake their obligations accordingly.

The procedures for convening general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures for putting forward proposals at Shareholders' meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "The procedures for convening general meetings by Shareholders".

The procedures for Shareholders of the Company to propose a person for election as a Director

Pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If you want to know the details on the procedures for Shareholders to propose a person for election as a Director, please visit our website.

SHAREHOLDERS COMMUNICATION POLICY

1. PURPOSE

1.1 This policy aims to set out the provisions with the objective of providing Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as Shareholders in an informed manner.

2. GENERAL POLICY

2.1 Information shall be circulated to Shareholders through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, notices of meetings, circulars, proxy forms ("Corporate Communication"); (ii) other documents issued by the Company which are published on the website of the Main Board of the Hong Kong Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and board committees; (iv) corporate information including list of Directors of the Company ("Directors"); and (v) other corporate publications including the procedures Shareholders can use to propose a person for election as a Director on the Company's website.

2.2 Effectively and timely dissemination of information to Shareholders shall be ensured at all times. Any question regarding this policy shall be directed to the Company Secretary or the Board of Directors.

3. COMMUNICATION STRATEGIES

Shareholders' Enquiries

3.1 Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Unit 2612, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the CEO of the Company.

3.2 Shareholders will be provided with the information of designated contact person, e-mail address and hotlines for their queries.

Corporate Communication

3.3 Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Corporate Website

3.4 A dedicated "Investor Relations" section is available on the website of the Company (http://www.xinm.com.cn). Information on the website of the Company will be updated on a regular basis.

3.5 Information released by the Company to the Hong Kong Stock Exchange is also posted on the website of the Company immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders' Meetings

3.6 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

3.7 Appropriate arrangements for the annual general meetings shall be in place to encourage shareholders' participation.

3.8 The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

3.9 Board members (especially the Chairman or the representative of the Board), appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

4. SHAREHOLDER PRIVACY

4.1 The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

If you want to know more details of shareholder communication policy, please visit the website of the Company.

INVESTOR RELATIONS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the Shareholders, including institutional investors, is crucial. The Company considers good investor relations as a key part of its operations and continues to promote investor relations and enhances communications with the investors.

The Company maintains a corporate website (http://www.xinm.com.cn) to make the corporate information available on the internet to facilitate its communication with Shareholders and to provide important information to the investing public, including corporate governance structure and terms of reference of Board committees.

The Company welcomes suggestions from investors and Shareholders, and invites them to share their views and suggestions at Xinming@hkstrategies.com.

The Directors present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Year under Review.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the current and continuing principal activities of the Group are property development, property investment and management during the Year under Review. The principal activities and other particulars of its subsidiaries as at 31 December 2016 are set out in Note 1 to the consolidated financial statements.

As required by the Schedule 5 of the Hong Kong Companies Ordinance, business review regarding business of the Group can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 5 and page 8. An indication of likely future development in the Group's business can be found in the Management Discussion and Analysis set out on page 13 of this annual report. This discussion forms part of this directors' report.

BUSINESS REVIEW

Compliance with Laws and Regulations

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection has significant impact on the operations of the Group. Environmental policies and performance regarding the Group are set out in "Environmental, Social and Governance Report" on pages 73 to 84.

Relationship with Employee, Customers and Suppliers

Remuneration packages are for employees generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including pension and performance related bonus.

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

Relationship with customers is the fundamental of business. The Group fully understands this principle and thus maintains close relationship with customers to fulfill their immediate and long-term need, and the Group is striving to maintain fair and cooperative relationship with suppliers. Details are set out in "Environmental, Social and Governance Report".

Principal Risks and Uncertainties

(1) Intensified competition may materially and adversely affect our business, results of operations and financial condition

Competition within the PRC real estate industry is intense. Domestic and overseas property developers have also entered the property development markets in cities where we have operations. Some of them may have more financial, marketing, technical or other resources than us. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of governmental approvals, and higher costs to attract or retain skilled employees. If we fail to compete effectively, our business, results of operations and financial condition may be materially and adversely affected.

(2) PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects

All of our revenue during the Year under Review was derived from our operations in the PRC. We anticipate that China will remain our primary market in the foreseeable future. Accordingly, our business, prospects, results of operation and financial position are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from the economies of most of the developed countries in many aspects, including political structure, the amount and degree of the PRC government involvement and control, level of corruption, growth rate and degree of development, level and control of capital investment and reinvestment, control of foreign exchange and allocation of resources. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of other developed countries.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. However, the PRC government continues to exercise significant control over the PRC economy through allocating resources, restricting capital flow and foreign exchange, setting monetary and fiscal policies, imposing industrial policies and various directives, providing government grants and other preferential treatment to particular industries and companies. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, results of operations and financial position. Moreover, even if new policies may benefit the real estate developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial position.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year under Review are set out in the consolidated statement of comprehensive income on page 92.

The Board did not recommend the payment of final dividend for the Year under Review (2015: nil). No interim dividend was declared for the Year under Review (2015: nil).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 13 June 2017 to Friday, 16 June 2017, both days inclusive, and no transfer of shares of the Company will be registered in such period. In order to qualify for attending and voting at the Annual General Meeting ("AGM"), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4: 30 p.m. on Monday,12 June 2017.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to profit or loss for the Year under Review by its principal activities is set out in Note 4 to the financial statements. Details of the segment information can be found in the Management Discussion and Analysis set out pages 9 to 11 of this annual report.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 180, which does not constitute part of these consolidated financial statement.

ISSUED CAPITAL

Movements in the issued share capital of the Company during the Year under Review are set out in Note 28 to the financial statements.

INVESTMENT PROPERTIES

For the year ended 31 December 2016, the change of the Company and the Group's investment properties were set out in note 14 of the financial statement.

RESERVES

Movements in the reserves of the Group and the Company during the Year under Review are set out on page 159 and pages 178 to 179 and in Note 30 and Note 42 to the financial statements respectively.

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

During the Year under Review, the Company repurchased a total of 1,378,000 shares on the Stock Exchange at an aggregate consideration of HK$1,418,740 (excluding expenses). The buy-backs were effected by the Directors for the enhancement of shareholders' value and the net asset value of the Company and/or its earnings per share. Details of the buy-backs are as follows:

Month	Total number of The ordinary shares	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate consideration *HK$*
June 2016	678,000	1.20	1.01	720,960
July 2016	700,000	1.06	0.90	697,780
	1,378,000			1,418,740

678,000 shares bought back in June 2016 were cancelled on delivery of the share certificates in July 2016. 700,000 shares bought back in July 2016 were cancelled on delivery of the share certificates in August 2016. The aggregate consideration of HK$1,418,740 (excluding expenses) was debited to Group's issued capital by approximately RMB11,000 and share premium by approximately RMB1,203,000.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Year under Review.

CHARITABLE DONATIONS

During the Year under Review, charitable donations of the Group was approximately RMB120,000 (2015: approximately RMB90,000).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's top five customers accounted for 6% (2015: 9%) of the Group's total revenue and the top five suppliers accounted for 44% (2015: 28%) of the Group's total purchases for the Year under Review. In addition, the Group's largest supplier accounted for 36% (2015: 15%) of the total purchases for the Year under Review.

All transactions between the Group and relevant supplies and customers were carried out on normal commercial terms.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the major customers and suppliers noted above.

DIRECTORS

The Directors in the year and up to the date of this Directors' Report are:

Executive Directors

Mr. Chen Chengshou *(Chairman and CEO)* (appointed on 16 January 2014)
Ms. Quan Xiaolin (appointed on 10 June 2014 and resigned on 12 June 2016)
Mr. Zhou Yongkui (appointed on 10 June 2014 and resigned on 12 June 2016)
Mr. Feng Cizhao (appointed on 31 October 2015)
Mr. Wong Thian Tsu Michael (appointed on 24 June 2016)

Non-executive Director

Ms. Gao Qiaoqin (appointed on 10 June 2014)

Independent Non-executive Directors

Mr. Fong Wo, Felix (appointed on 8 June 2015)
Mr. Gu Jiong (appointed on 8 June 2015)
Mr. Lo Wa Kei, Roy (appointed on 8 June 2015)

According to article 112 of the Articles of Association: "The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting."

According to article 108 (a) of the Articles of Association of the Company: "Notwithstanding any other provisions in these articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office."

Mr. Chen Chengshou, Mr. Wong Thian Tsu Michael as the executive Directors, Ms. Gao Qiaoqin as the non-executive Director and Mr. Gu Jiong as the independent non-executive Director will retire from office as the Directors at the AGM and being eligible, offer themselves for re-election.

SERVICE CONTRACTS OF DIRECTORS

Mr. Chen Chengshou entered into a service agreement with the Company for a term of three years from the Listing Date and which will renew and prolong for one year automatically after the expiry of the appointment, during which such service agreements can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Gao Qiaoqin, the non-executive Director; Mr. Gu Jiong, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix, the independent non-executive Directors, each entered into a letter of appointment with the Company for a term of three years from the Listing Date, during which such letters of appointment can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Mr. Feng Cizhao and Mr. Wong Thian Tsu Michael, as executive Directors, entered into a service agreement with the Company. Mr. Feng Cizhao is in a term of three years from 31 October 2015 and Mr. Wong Thian Tsu Michael is in a term of three years from 24 June 2016, which will renew and prolong for one year automatically after the expiry of the appointment, during which such service agreement can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

In accordance with the Articles of Association and Appendix 14 to the Listing Rules, not less than one-third of the Directors shall retire from office by rotation annually. No directors being proposed for re-election at the AGM has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Directors' fees are determined by the Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Company, which are subject to the review of the Board and shareholders' approval at annual general meetings. Please refer to note 8 to the Financial Statements on pages 135 to 137 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date. As at the date of this annual report, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required to be recorded in the register referred to therein pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares and underlying shares:

The Company

Name of Directors	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Chen Chengshou	Interest of controlled corporation *(Note 1)*	1,349,600,000 (L)	71.84%
Ms. Gao Qiaoqin	Interest of spouse *(Note 2)*	1,349,600,000 (L)	71.84%
Mr. Feng Cizhao	Beneficial Owner *(Note 3)*	129,000 (L)	0.007%
Mr. Zhou Yongkui (resigned as director on 12 June 2016)	Beneficial Owner *(Note 3)*	312,833 (L)	0.02%

(L): represents long positions

Notes:

1. 1,349,600,000 shares are registered in the name of Xinxing Company Limited which is wholly-owned by Mr. Chen.

2. Ms. Gao is the spouse of Mr. Chen. Under the SFO, Ms. Gao is deemed to be interested in the same number of shares in which Mr. Chen is interested in.

3. Those shares are award shares granted by the Board on 7 April 2016 pursuant to the Share Award Scheme but have not yet been fully vested. For further details, please refer to the announcement dated 7 April 2016.

Associated corporation – Xinxing Company limited

Name of Director	Nature of interest	Number and class of securities in the associated corporation	Approximate percentage of interest in the associated corporation
Mr. Chen Chengshou	Beneficial owner	1 share[(1)]	100%
Ms. Gao Qiaoqin	Interest of spouse	1 share[(2)]	100%

Notes:

(1) The disclosed interest represents the interests in the associated corporation, Xinxing Company Limited, which is held as to 100% by Mr. Chen.

(2) Ms. Gao is the spouse of Mr. Chen. By virtue of the SFO, Ms. Gao is deemed to be interested in the 1 share of Xinxing Company Limited held by Mr. Chen.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

The register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at the date of this annual report, the following Shareholders, other than those disclosed in the section headed "Directors' and Chief Executives' Interest in the Securities of the Company", had notified the Company of its interests and/or short positions in the shares and 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.

Interest in the Company

Name of substantial Shareholder	Capacity/nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Xinxing Company Limited *(Note)*	Beneficial owner	1,349,600,000	71.84%

Note: Xinxing Company Limited is wholly-owned by Mr. Chen.

Save as disclosed above, as at the date of this annual report, the Company had not been notified by any persons, other than Directors or chief executives of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders has made an annual declaration with regard to their compliance with the terms of the deed of non-competition. The details of the deed of non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The deed of non-competition by controlling shareholders has taken effect from the Listing Date.

DEED OF NON-COMPETITION BY EXECUTIVE DIRECTORS

Each of the executive Directors has made an annual declaration with regarding to their compliance with the terms of the deed of non-competition. The deed of non-competition by executive Directors has taken effect from the Listing Date. The INEDs had reviewed and confirmed that the executive Directors of the Company have complied with the deed of non-competition and the deed of non-competition has been enforced by the Company in accordance with its terms.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Share Option Scheme") on 8 June 2015, which will be in force for a period of 10 years. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees, advisers, suppliers and customers to our Company or our subsidiaries (the "Eligible Participants") may be granted options which entitle them to subscribe for Shares, provided that the number of Shares to be subscribed under such option together with the options granted under any other schemes initially shall not more than 10% of the Shares in issue on the Listing Date.

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to improve their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company).

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company, including the Share Option Scheme, if that will result in the Maximum Limit being exceeded.

The Board may, at its discretion, offer to grant an option to the Eligible Participants. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

As at the date of this annual report, the total number of Shares to be issued under the Share Option Scheme is 188,000,000 Shares, representing 10% of the issued Shares at Listing Date. No share option was granted, exercised or cancelled by the Company since the adoption of the Share Option Scheme.

SHARE AWARD SCHEME OF THE COMPANY

On 26 January 2016, the Company adopted the share award scheme (the “Scheme”), pursuant to which Bank of Communications Trustee Limited as trustee (the “Trustee”). The Board is pleased to announce that it has adopted the Scheme to recognize the contribution by certain eligible participants and to attract suitable personnel for further development of the Group. Each of the Company and Mr. Chen, the executive Director and controlling shareholder of the Company, may make contribution to the trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Scheme, the Company may from time to time at its sole discretion subject to requirements under this Scheme, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase shares in the market at prevailing market price. Mr. Chen may from time to time transfer shares to the Trustee, for the purpose of vesting awarded shares to the selected participants, subject to the compliance with the requirements of the Listing Rules, all applicable laws from time to time. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Scheme.

The Scheme is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Scheme and the trust deed.

The Board shall not make any further award of awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Scheme exceeding ten per cent (10%) of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant under the Scheme shall not exceed one per cent (1%) of the issued share capital of the Company from time to time. The Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Scheme will remain in force for a period of 10 years since the date of adoption of the Scheme. Early termination should be done by the Board.

For the year ended 31 December 2016, the Board neither arranged any funds to be paid to the trustee of the Share Award Scheme for purchasing of shares of the Company on the Stock Exchange, nor the trustee of the Share Award Scheme purchased any shares of the Company on the Stock Exchange.

On 7 April 2016 (the “Adoption Date”), the Board resolved to grant a total of 13,716,666 awarded shares (the “Awarded Share”) to 150 selected participants. Details are set out in the announcements of the Company dated of 18 February 2016 and 7 April 2016.

On 19 April 2016, the Company was informed that only 53 selected participants fulfilled the vesting conditions and a total number of 5,346,879 Awarded Shares was involved. A total number of 8,369,787 was forfeited because some employees failed to fulfil the vesting conditions, and such shares are being held by the Trustee.

Below is a summary of the particulars of Awarded Shares under the Share Award Scheme during the year ended 31 December 2016:

Date of grant	Number of Awarded Shares Granted	Approximate percentage of the Company's share capital as at the Adoption Date	Number of Awarded Shares: Vested on or before 31 December 2016	Forfeited on or before 31 December 2016	Unvested or held by the Trustee for the grantees as at 31 December 2016
7 April 2016	13,716,666	0.7296%	3,564,586	8,369,787	1,782,293[(1)]

Note 1: The third expected vesting dates of the Awarded Shares will be 18 April 2017.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time since the Listing Date was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations, within the meaning of Part XV of the SFO.

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

There were no transactions, arrangements or contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year under Review or at any time during the Year under Review, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other transactions, arrangements or contracts of significance in relation to the Company's business between the Company or any of the Company's Subsidiaries and a controlling Shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

On 7 March 2017, the Company entered into a framework agreement with Yuanyang Holdings (the "Engineering Services Framework Agreement"). Please refer to the announcement of the Company dated 7 March 2017 for details.

The shareholding structure of Yuanyang Holdings Group Limited (formerly known as 遠揚控股集團股份有限公司(Yuanyang Holdings Group Share Limited Company*)) ("Yuanyang Holdings"), a contractor which undertook the turnkey projects of the Company's Hangzhou Canal Project and certain buildings of Chongqing China South-western City Project, has been changed during the Year under Review, and 51% controlling interest in Yuanyang Holdings was acquired by Zhejiang Xinming Trading, a company which Mr. Zheng Xiangtian owned 90%. Mr. Zheng Xiangtian is the elder brother of Mr. Chen Chengshou, an executive Director, and is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, Yuanyang Holdings has become a connected person of the Company after the change of its shareholding structure. The Company and Yuanyang Holdings reformulated an Engineering Services Framework Agreement with respect to the connected transactions subject to the approval of independent shareholders. Please refer to the announcements of the Company dated 20 January 2017 and 7 March 2017, the circular and the notice of the extraordinary general meeting issued later for details.

NON-EXEMPT AND CONTINUING CONNECTED TRANSACTIONS

The transactions set forth below are continuing connected transactions subject to report, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements (the "Non-exempt Continuing Connected Transactions"), for the purpose of Chapter 14A of the Listing Rules:

1. Nanshuo Master Service Agreement

On or about 15 May 2015, the Company and Shanghai Nanshuo Asset Operation and Management Co., Ltd.* (上海南碩資產經營管理有限公司) ("Shanghai Nanshuo") entered into a master service agreement ("Nanshuo Master Service Agreement") for a term ending on 31 December 2017, pursuant to which Shanghai Nanshuo agreed to provide commercial property marketing services for sourcing tenants and the ongoing management services for the commercial properties of our Group. The service fees payable by our Group to Shanghai Nanshuo will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

As our major business will continue to focus on property development, we will require Shanghai Nanshuo to provide marketing and management services for our commercial properties so that we can concentrate our resources on property development business. In addition, the skills and expertise for managing residential properties are different from commercial properties and it will be more cost effective to our Group to outsource the management of commercial properties to Shanghai Nanshuo.

Shanghai Nanshuo is owned as to 100% by 浙江天茂園林工程有限公司 (Zhejiang Tianmao Landscape Engineering Co., Ltd.*) ("Zhejiang Tianmao"), which in turn is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Mr. Chen Chengshou.

Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. As Shanghai Nanshuo is 100% owned by Zhejiang Tianmao, which is an associate of Zheng Xiangtian (鄭翔天) and hence Shanghai Nanshuo is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Nanshuo Master Service Agreement for the two years ending on 31 December 2016 and 2017 are RMB18,000,000 and RMB22,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Nanshuo Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Nanshuo Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. For the year ended 31 December 2016, the total actual annual service fees amounted to approximately RMB Nil.

2. Tianmao Master Service Agreement

On or about 15 May 2015, the Company and Zhejiang Tianmao entered into a master service agreement ("Tianmao Master Service Agreement") for a term ending on 31 December 2017, pursuant to which Zhejiang Tianmao agreed to provide construction services which mainly include landscaping and planting projects to our Group. The service fees payable by our Group to Zhejiang Tianmao will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

Our Group has established a long term relationship with Zhejiang Tianmao which provides construction services for landscaping and planting projects to our Group from time to time. Zhejiang Tianmao has been providing us with quality services. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Tianmao and source the services from Zhejiang Tianmao upon the Listing.

Zhejiang Tianmao is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Mr. Chen Chengshou. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Therefore, Zhejiang Tianmao is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Tianmao is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Tianmao Master Service Agreement for the two years ended 31 December 2016 and 2017 are approximately RMB35,000,000 and RMB10,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Tianmao Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Tianmao Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. For the year ended 31 December 2016, the total actual annual service fees amounted to approximately RMB981,000.

3. Master Supply Agreements

(a) Kaijie Master Supply Agreement

On or about 15 May 2015, the Company and Hangzhou Kaijie Decoration Co., Ltd* (杭州開捷門窗有限公司) ("Hangzhou Kaijie") entered into a master supply agreement (the "Kaijie Master Supply Agreement") for a term ending on 31 December 2017, pursuant to which Hangzhou Kaijie agreed to supply construction raw materials which mainly comprise doors and windows to our Group. The purchase price payable by our Group to Hangzhou Kaijie will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

The Group has established a long term relationship with Hangzhou Kaijie which supplies construction raw materials to our Group from time to time. Hangzhou Kaijie has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Hangzhou Kaijie and source the construction raw materials from Hangzhou Kaijie upon the Listing.

Hangzhou Kaijie is owned as to 35% by Zheng Xiangtian (鄭翔天) and 65% by three independent third parties. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Hangzhou Kaijie is an associate of Zheng Xiangtian (鄭翔天) and hence Hangzhou Kaijie is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

(b) Shouchuang Master Supply Agreement

On or about 15 May 2015, the Company and Zhejiang Shouchuang Industry Co., Ltd* (浙江首創實業有限公司) ("Zhejiang Shouchuang") entered into a master supply agreement (the "Shouchuang Master Supply Agreement") for a term ending on 31 December 2017, pursuant to which Zhejiang Shouchuang agreed to supply construction raw materials which mainly include electrical boxes, fans, pumps, tanks, air conditioners, tiles, paint, fountain, locks and other construction and building raw materials to our Group. The purchase price payable by our Group to Zhejiang Shouchuang will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

The Group has established a long term relationship with Zhejiang Shouchuang which supplies construction raw materials to our Group from time to time. Zhejiang Shouchuang has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Shouchuang and source the construction raw materials from Zhejiang Shouchuang upon the Listing.

Zhejiang Shouchuang is owned as to 100% by Zheng Xiangtian (鄭翔天). Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Zhejiang Shouchuang is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Shouchuang is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Kaijie Master Supply Agreement for the two years ending 31 December 2016 and 2017 are RMB13,000,000 and RMB21,000,000 respectively. The total actual annual supply fees under the Kaijie Master Supply Agreement for the year ended 31 December 2016 amounted to RMB Nil.

The proposed annual cap amounts of the transactions under the Shouchuang Master Supply Agreement for the three years ending 31 December 2016 and 2017 are RMB34,000,000 and RMB15,000,000 respectively. The total actual annual supply fees under the Shouchuang Master Supply Agreement for the year ended 31 December 2016 amounted to RMB Nil.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Kaijie Master Supply Agreement and Shouchuang Master Supply Agreement (collectively the "Master Supply Agreements") have been aggregated. It is anticipated that on an annual basis, the aggregate annual cap under the Master Supply Agreements for each of the two years ending 31 December 2016 and 2017 are approximately RMB47,000,000 and RMB36,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Master Supply Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Master Supply Agreements will be exempted from circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. The total actual annual supply fees under the Master Supply Agreement for the year ended 31 December 2016 amounted to RMB Nil.

4. Real Estate Agency Services Agreements

On 15 May 2015, our Group entered into an exclusive real estate agency services agreement with Hangzhou Taoyuan Shanzhuang Property Development Limited ("Taoyuan Property") and another exclusive real estate agency services agreement with Dongtian Property (together, the "Real Estate Agency Services Agreements"). Pursuant to the Real Estate Agency Services Agreements, each of Taoyuan Property and Dongtian Property appointed our Group as its exclusive sales agent of properties developed by Taoyuan Property and Dongtian Property in connection with the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) for a term ending on 31 December 2017. Our Group has the discretion (but not the obligation) to renew the Real Estate Agency Services Agreements on the same terms for a period of three years until all the properties in relation to the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) are sold out.

Pursuant to the Reorganisation, Taoyuan Property and Dongtian Property were excluded from our Group because of the restriction for the change of ownership in the equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an independent third party. In order to minimize any potential competition issue, our Group entered into the Real Estate Agency Services Agreements with Taoyuan Property and Dongtian Property, pursuant to which our Group shall, after consultation with them, have the discretion to determine the strategy, timing and selling price of the properties in the Hangzhou Xinming Peninsular (杭州新明半島) and the Hangzhou Dongtian (杭州東田).

Taoyuan Property is principally engaged in the property development in Hangzhou and is the project company of the Hangzhou Xinming Peninsular (杭州新明半島), which was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*) ("Zhejiang Zhengyuan"), as at the date of this annual report. Zhejiang Zhengyuan was owned as to 20% by Ms. Gao, our non-executive Director and the spouse of Mr. Chen. The remaining 80% interests in Zhejiang Zhengyuan were owned by two independent third parties. XG Limited was owned as to 99% by Mr. Chen, our executive Directors and controlling Shareholders, and 1% by Ms. Gao, as at the date of this annual report. Dongtian Property is principally engaged in property development in Hangzhou and is the project company for Hangzhou Dongtian (杭州東田), which is owned as to 100% by Taoyuan Property. Taoyuan Property and Dongtian Property are considered as connected persons of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Real Estate Agency Services Agreements for the two years ending 31 December 2016 and 2017 are approximately RMB32,000,000 and RMB37,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Real Estate Agency Services Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Real Estate Agency Services Agreements will be exempted from circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. For the year ended 31 December 2016, Taoyuan Property and Dongtian Property did not pay any commission to our Group.

Save as disclosed above, the related party transaction set out note 36 to the financial statements does not required to be disclosed according to Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The INEDs of the Company have reviewed the continuing transactions above and confirmed that those transactions have been entered into:

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

(2) either on normal commercial terms or;

(3) in accordance with the relevant agreements; and

(4) its term are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

The auditor of the Company was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants.

The Board has received a letter from the auditors of the Company and has submitted a copy to the Stock Exchange, confirming that during the reporting period, the above continuing connected transactions:

(1) have received the approval of the Board of the Company;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the cap disclosed in previous announcements.

For the purpose of Continuing Connected Transactions, the Company has complied with the disclosure requirements of the Listing Rules from time to time, and the value and transaction terms of the transaction on 31 December 2016 have been determined in accordance with the pricing policies and guidelines set out in the Hong Kong Stock Exchange's Guidance Letter HKEx-GL73-14.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the year ended 31 December 2016, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

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 amount of public float during the Year under Review as required under the Listing Rules.

AUDITOR

Ernst & Young was appointed as auditor of the Company since the Listing and will retire at the forthcoming annual general meeting ("AGM"). Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Company is to be proposed at the forthcoming AGM of the Company.

The Company did not change its auditor in the past three years.

By order of the Board
Xinming China Holdings Limited
Chairman and Chief Executive Officer
Chen Chengshou

Hangzhou • PRC
30 March 2017

The Group attaches much importance to whether it's performance in terms of environmental, social and governance ("Environment, Society and Governance") is consistent with the "Environmental, Social and Governance Reporting Guide" (the "Guide") as provided in Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited and has been disclosed pursuant to the Guide.

WORKING ENVIRONMENT AND QUALITY

Working Environment

Employees are the source of existence and development, and wealth of the Group. Adhering to the principle of "Open Recruiting and Selecting, Recruiting on a Selective Basis, Equal Stress on Integrity and Ability, Integrity as the Foundation" in employment, the Group is committed to building a corporate value of integrity, harmony, openness and aggressiveness. We strove to provide a good working environment in a relaxed atmosphere to the employees and made great efforts to establish a career platform for maximum ability development. The Group owns an experienced and far-sighted management team and vigorous employees. Number of the employees is over 463 (2015: 443), including 254 male employees and 209 female employees, which take up 54.86% and 45.14% of the total, respectively. The number of employees increased by 4.32% as compared to that of last year. The Group respects and protects human rights and fair competition among employees and it is clearly stated in the employee manual that all discriminatory acts on race, skin color, nationality, gender, religious belief, marital status, age and physical disability are strictly banned.

Employees

2016 Statistics on employees	Types	Number of employees	The proportion
Total		463	
By geography	Hangzhou	242	52.27%
	Taizhou	113	24.41%
	Tengzhou	21	4.54%
	Chongqing	28	6.05%
	Shanghai	57	12.31%
	Hong Kong	2	0.43%
By gender	Female	209	45.14%
	Male	254	54.86%
By functions	Senior management	29	6.26%
	Law	4	0.86%
	Financial capital	40	8.64%
	Administration and human resources	51	11.02%

2016 Statistics on employees	Types	Number of employees	The proportion
	Marketing planning	89	19.22%
	Cost control	17	3.67%
	Engineering operation	34	7.34%
	Property management	199	42.98%
By education background	Bachelor's degree and above	99	21.38%
	Junior college graduate and below	364	78.62%

Development and Training

Development and training are closely connected with the promotion of employees' ability as well as integrated development of the Company. The Company encouraged the employees for continuing education and offered different training channels, so as to improve professional competence of the employees and explore values and creativity of all talents to maximum. The Group believes that its employees have rich experience, so they are able to overcome challenges that may exist in the operation of daily business. The Group's incentive measures, training plans and competitive salaries will help improve employee's work efficiency. The Group also establishes its own business school called Xinming Commercial College (新明商學院), which is co-founded by the advanced training center of Economics School of Zhejiang University and XG Limited. This business school owns domestically first-class facilities and is committed to cultivating excellent business professionals. Every year, it provides professional skills training and comprehensive occupation literacy training to all employees of all kinds of posts.

The Group formulates phased entry trainings policy for new employees uniformly, and the trainings are organized and implemented by a group company Xinming Commercial College (新明商學院). The contents of the entry trainings comprise development history, corporate culture, values and main management systems the Group implemented consistently etc.. Secondly, trainings are organized by each project unit separately, which comprise introduction to the company and projects, and main company policies, etc. At last, the new employees receive on-the-job trainings from the department directors and instructors, and the instruction is conducted in accordance with the new employee instruction manual. The Group also provides in-service training and external training to the employees. Managers or employees of higher levels all have chances to participate in management and professional development training provided by the local universities monthly. In addition, the Group will also reimburse the employees for their external courses or training fees if such fees are approved to be reimbursed. Each year, a reimbursement for a maximum of RMB3,000 for such fees may be obtained by each employee. This move of the Group is aimed to improve its technical strength and service quality.

The Company has established a complete employee training system with the training types and courses as follows:

	Training type	Courses
Internal training	**New employee training**	Management system, work flow, corporate culture and value inheritance.
	Business experience share and study, and trainings of each professional system Trainings by Xinming Commercial College(新明商學院) (Once a month)	1. Sharing and exchange of experience and failure; 2. Professional knowledge and skills; 3. Trainings of general professional management knowledge.
	Trainings on management	1. Professional knowledge and skills; 2. Improvement of leadership skills in communication and management.
	Trainings in Xinming Lecture Hall (新明大講堂)	Trainings of expanding employees' horizon, popularizing the industry knowledge, information, basic management knowledge and skills, and enhancing professional quality.
	Trainings and studies in terms of meetings	1. Conveying instruction and spirit of the Company's leader. 2. Summarizing completion in individual and department work plans. 3. Objectives plans for the next stage and the fulfillment methods. 4. Research, study and communication on the major business and difficult business.
External Training	**In-service trainings**	Trainings required by the needs of the posts and skill promotion, and by the profession development.
	Study visits	Visit and study relating to business or management.
	Expatriate-training	Trainings in relation with post function or required by career development of the employees

During the Year under Review, the number of hours of employee training is as follows:

	Business Management Training			Listing Compliance Training		
	Grassroots	Middle Management	Senior Management	Directors	Secretary of the Company	Total
Number of Hours	146	79.5	79.5	4	15	324
Percentage	45%	25%	25%	1%	4%	100%

Health and Safety

As a property developer, the Group undertakes a potential limited responsibility for the workers on the construction sites. This is because most of the responsibilities are borne by the construction contractors. The Group's Chief Engineering Office's employees will pay a monthly inspection visit to the sites to ensure the safety measures are up to the standards. The Group's employee work manual sets out policies and procedures relevant to work safety and occupational health. The General Management Department of the Group is responsible for recording and handling work injury incidents and keeping the health and work compliance records. We comply with the Work Injury Insurance Regulations promulgated by the State Council and the regulations of provincial and municipal pension insurance, medical insurance and unemployment insurance. The Company pays pension insurance premium, basic medical insurance premium, unemployment insurance premium, work injury insurance premium, maternity insurance premium and housing provident fund for the employees. During the Year under Review, the Group recorded no major safety accidents, no claims for personal injury or property damage and no employee claims or penalties for personal injury or property damage.

The workplace environment of employees shall be in accordance with the requirements of occupational health standards. The Group has established facilities for the protection of occupational disease hazards and improved the occupational health management system and operating rules. Every year, the Company sends all employees to professional hospitals for physical examination, but also provides medical care training to all employees.

Labor Standards

The Group has established a rigorous recruitment process to ensure the accuracy of the selection of employees. We are also concerned about staff's promotion and growth in the enterprise. The age of each employee in the enterprise must be within the age range stipulated under the labor law, and we are resolved not to hire employees under legitimate working age. The Group sets an employee remuneration system in line with the remuneration standard in the industry, kept improving the internal working environment and ancillary facilities, and promoted the ability of attracting excellent personnel from external and retaining the core talents internally. On the basis of internal official rank system, the Company reasonably divided post responsibilities so as to guarantee the salary level for each post to be consistent with the actual value. The Group further established a motivation system, founding performance bonus, special bonus and an employee's Share Award Scheme to the employees in different ranks, and offering the right of stock purchasing to the management, thus fully arouse the work enthusiasm of all employees. We also conducted periodical performance examination each year and granted annual bonus according to the assessment results, relieved the employees' difficulties caused by critical illness or accidents by means of providing consolation money and living subsidy. The series of acts fully showed the Company's concern and love to the employees. We believe that the high-quality staffs who value our corporate culture are the core element in the sustainable development in the future. We plan to keep attracting, retaining and motivating the skilled and professional talents with different measures (such as convening valued training courses, offering competitive salary and compensation, conducting effective performance assessment and incentive system). Besides, the Group offered festival fees for official national holidays like the New Year's Day, the Spring Festival, the Tomb-sweeping Day, the Dragon Boat Festival, the Labor Day, the Mid-autumn Festival and the National Day, and also provided care fare and correspondence fee allowance for daily work.

Anti-corruption

The Group prohibits any bribery and corruption behaviors and reminds employees at any time that they must avoid any behavior that may bring any possible conflict of interest. The Group has established a set of management systems, such as, Employee Code of Conduct and Measures for the Administration of Employee Rewards and Punishments, to regulate the employee's behaviors during their daily work. The Group also has established management and whistleblowering mechanisms to prevent and control any fraudulent practices or unethical conducts. Employees who are working on finance or cost management or any other key positions are required to sign a letter of commitment. In addition, the Audit Department will regularly conduct audit to put an end to any occurrence of any bribery, extortion, fraud and money laundering events. During the Year under Review, there were no legal archives recording that the Group and its employees were involved in any corruption.

CORPORATE CULTURE CONSTRUCTION

During the Year under Review, the Group followed the business philosophy of Chinese nation, pursued the value orientation of thriving business by integrity, protecting spirit of the time and undertaking the social responsibility to forge a corporate spirit of being poised but not arrogant, changing while adapting the times, cooperating with absolute sincerity, being valiant and heroic. Since listed on Main Board of the Hong Kong Stock Exchange in July 2015, the Company has won general consensus in the industry owing to its advanced commercial operation ability, innovative business idea and highly potential development space. Following the release of the Universal Two-child Policy, Xinming China gained a great support to its strategic concept of focusing on the real estate for children in China and devoting to create a service platform covering the whole industry chain for pregnant women, babies and children. In the media interview, Mr. Chen, Chairman of the Company has expressed his idea for many times, mentioning that "Xinming is making great efforts to establish a project called My Barbini, which is different from the various pervious real estate projects for children in the business model and the business format designing. It is the first real estate project for children of a real sense, boasting a brand-new business pattern in terms of an industry-wide consumption chain for the babies and children from 0 to 14 years old, and for the women before and after baby delivery. Our services include clothes, food, real estate, transportation, entertainment, recreation, shopping, fitness and education. At the same time of meeting the consumption needs and promoting interaction, we have set up a new standard for the development of the industry for pregnant women, babies and children in China". The Group insists on the thought of accelerating development with systems, and making a breakthrough in the industry. It sticks to the corporate mission of creating value for the clients, providing opportunity for the employees, making cities more prosperous and establishing a platform for the Shareholders. The Company keeps improving the service quality so as to realize the vision of "Pilot of Fashionable Life, Model of Star Enterprises".

CONTRIBUTION TO THE COMMUNITY

Caring about Children

Xinming China is especially specialized in properties for children. Caring about the healthy growth of children is the Group's primary purpose. Hangzhou Xinming Property Limited and its membership group – Xinming China Holdings held exclusively "My Barbini" Cup – the first session of little host contest of Zhejiang Province. This activity was simultaneously conducted in 11 cities of Zhejiang Province. By virtue of this contest, children participating in this contest became the first batch of contracted little hosts of Zhejiang Children Channel. These children also have chances to participate in hosting all kinds of programs of this children channel.

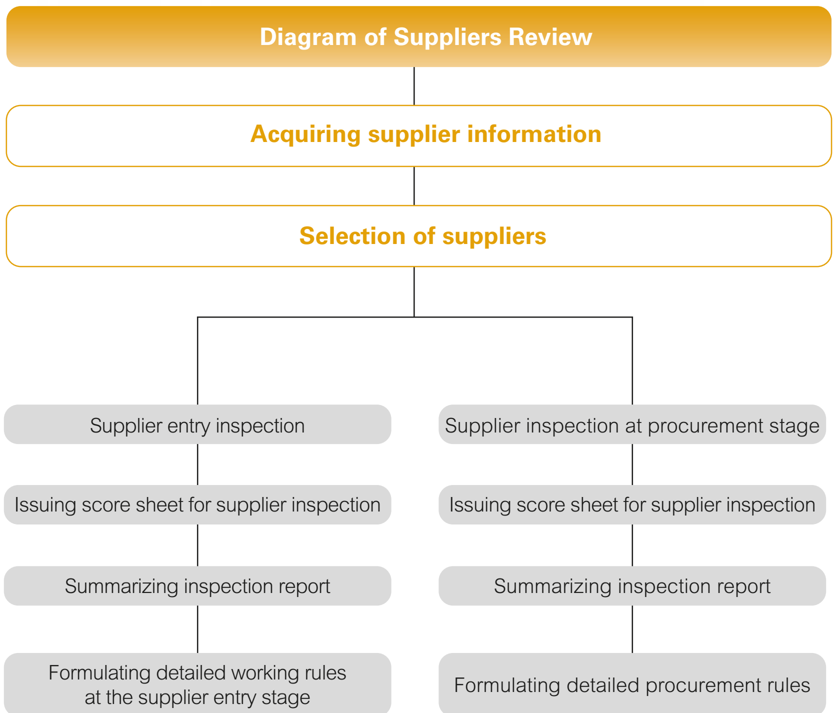
Caring about Society

On 23 June 2016, hail and tornadoes hit Fu Ning County, Yancheng City, Jiangsu Province, causing serious casualties, houses collapsed and agricultural economic losses. The chairman of the Group and Wenzhou Merchants Charitable Foundation donated RMB100,000 to Jiangsu Provincial Poverty Alleviation Fund to help people in Yancheng affected by such disasters in their post-disaster reconstruction. "Be honest and moral" has been the Company's corporate culture of caring for the society.

OPERATION ROUTINE

Suppliers Supervision

The Group placed emphasis on the product quality and cost control, applied a strict and normative internal supervisory control system, specified and detailed the procurement process and approval principle, selected high-grade suppliers on the basis of fairness, impartiality and sufficient competition in order to insure high procurement quality and cost rationality. The purpose of reviewing operation and work of the suppliers is to instruct and standardize operation mode and achievement in suppliers review, and the diagram for suppliers review is as follows:



Entrance of the suppliers for the projects shall be approved by the manager of the cost fixing division of the project department, the deputy general manager in charge of the project engineering, the general manager incharge of the project, the deputy manager of the cost management department of the Group, the manager of the cost management department of the Group in sequence, and at last, it shall be put on procurement records of the cost management department of the Group.

One-vote negation system is adopted for the assessment on the suppliers' task fulfillment, namely, should any single department conclude "unqualified" in the comprehensive assessment on a supplier, the supplier is directly determined to fail the assessment and is unable to bid for any projects of XG Limited in the following three years. Diagram for the assessment on the suppliers' task fulfillment is as follows:

Diagram for the assessment on the suppliers' task fulfillment

Under permissions: all contracts with an amount≤RMB1 million

Result of task fulfillment assessment after summarization

↓

Approved by the manager of the cost fixing department

↓

Approved by the general manager in charge of the project

↓

Put on procurement records of the cost management department of the Group

Beyond permissions: all contracts with an amount > RMB1 million

Result of task fulfillment assessment after summarization

↓

Approved by the manager of the cost fixing department

↓

Approved by the general manager in charge of the project

↓

Approved by the deputy manager of the cost management department of the Group

↓

Approved by the manager of the cost management department of the Group

↓

Approved by the president of the Group

↓

Put on procurement records of the cost management department of the Group

Requirements:

1. The cost fixing department launches assessment on the task fulfillment of the qualified suppliers quarterly;
2. Upon fulfillment of the contracts by the suppliers (warranty period excluded), the cost fixing department organizes and launches assessment on the task fulfillment of the suppliers, and another assessment half a year later (warranty period excluded).

Responsibility for Clients

We believe that excellent property management service is beneficial to enhance the property value, gain more popularity and heighten the clients' degree of satisfaction on our projects. As a result, we will continue to expand the service scope of the property management and improve the service quality.

Property Management Optimization

We plan to further develop the property management business by means of employing more property management staffs, upgrading and improving the property management service policy and relevant guidelines. In addition, we will popularize the brand of Xinming, keep focusing on promoting attraction of the commercial complex developed and strive to stand out from all competitors in terms of providing projects located at advantageous positions. We believe that by constantly providing properties that meet the needs of the local residents and clients, we will raise the market recognition of our brand as well as the Company's reputation, which will help us re-create success in other cities of China.

PRODUCT RESPONSIBILITY

The Group highly valued the product quality and corporate credit, and has set up and implemented a system relating to quality and sales management in order to strengthen product quality inspection and sales management, and provide high-quality products to the clients. The brand image and customer satisfaction of the Group rise continually, and the Company was awarded The TOP 10 Brands Value of China's Commercial Real Estate in 2016 (2016年中國商業地產品牌價值TOP10) in September 2016.

ENVIRONMENTAL PROTECTION

The Group knows deeply that its development may generate an impact on the ecological environment. Therefore, it implements an concept of energy conservation and emission reduction in the whole process of its operation. The Group is committed to advancing a variety of environmental measures with an aim to reduce its impact on the environment in every link from the use of the resources, development and construction of properties to its actual operation.

USE OF RESOURCES

Asset Management System

In order to enhance management on the Company's assets, understand and manage quantity, amount and distribution of the book assets in time, the Company formulated the Assets Management System, in which the assets include fixed assets, low-value consumption goods, current account, prototype room, leased property, materials in storage, products for sale and projects under construction, etc. The assets check shall be carried out once every half a year, and the financial staffs must participate in supervision of inventory taking and keep the inventory sheet and inventory report on file. The Finance Department will conduct a physical inspection of assets and a random inspection of the execution of systems of the custody and application for use of the assets. The Finance Department's registered subsidiary ledgers of the quantity and amount of low value consumables will be also checked against the ledgers registered by the Administrative Department. The quantity and use quo status of low value consumables will be checked and registered in the inventory sheet for issuing inventory report which will be submitted to the leaders in charge. The General Management Department's custodians shall, according to the time of application for use of and expected service life of various articles, check their integrity when they are recovered. If any unconventional consumption is found, it shall be reported to the managers of the General Management Department, and for which, someone shall hold accountable. Then, reasonable consideration shall be given to the usage status of such articles. Also, assessment shall be done as to to what extent such articles are damaged. And, compensations (if any) must be turned over to the Finance Department.

Fixed Assets Management

The purpose of the Fixed Assets Management System is to strengthen purchase, use and maintenance of the fixed assets of the Company, prolong service life and efficiency of the fixed capital. The General Management Department of the Group or the subsidiary is responsible for unified management and allocation on the fixed assets held. The fixed assets of the Company are calculated and depreciated with a composite life method, namely, yearly depreciation = (1-net salvage rate (5%))/expected application years *100%. According to the nature and consumption mode of the Company's fixed assets, the expected application years and net salvage value are determined (as in the following table).

Classification	Expected application years	Expected net salvage rate
Houses and buildings	20	5%
Machinery equipment	10	5%
Transportation facility	5	5%
Electronic equipment	3	5%
Other instruments, tools and furniture	5	5%

Therefore, application years of the fixed assets could be predicted accurately, and the employees will be impressed with the awareness of protecting assets. The Company is committed to prolonging service life and use value of assets and promoting the resource usage.

Management on low-value consumption goods

Most of the low-value consumption goods are office supplies. The Company adhered to the principle of Simplified and Practical, subject to the Lower Standard, and conducted zero-inventory management on the low-value consumption goods so as to reduce the inventory backlog and fund occupation. The Group encouraged all employees to save resources, thus improving the environment and reducing the cost. On the basis of maintaining quality products and service, the Group minimized resource loss and use, and turned to adopt techniques and products which are energy-saving or low-energy-consuming. Besides, the Group encouraged and supported the employees to raise rationalization proposals on energy saving, emission reduction, consumption lowering and efficiency promoting.

Environment and Natural Resources

In accordance with the relevant requirements under China's laws and regulations, all projects developed by the property developers shall be implemented with environment assessment, and an environmental impact assessment report shall be submitted to the related governmental agencies for approval before commencement of the construction. As for the construction site, should there be any material changes in scale or nature of the fixed project, the property developer shall submit a new environmental impact assessment report for approval. Pursuant to such laws and regulations, we have entrusted environment advisers from independent third party for environmental impact assessment on all construction projects, and have already submitted the report to the governmental agencies before construction. During the Year under Review and up to the latest practicable date, we have obtained the necessary environmental impact assessment report according to relevant laws and regulations of China.

In architectural designing of the projects, we studied and researched to apply technologies relating to energy saving and green building into the construction, thus expanded the environmental protection technical policy.

During construction, the property developer and construction companies shall adopt corresponding measures to prevent air pollution, noise pollution and water and waste discharge. As we outsource the construction to independent contractors, the contractors shall obey laws and regulations of China relating to environmental protection and safety in accordance with the terms in the construction contract. In addition, we examined the construction site periodically and required the contractors to correct the discovered behaviors like breaching the contract or failing to meet the standards in time.

After completion of the construction, the Company shall apply relevant governmental agencies for acceptance inspection concerning environmental impact of the projects. Only the projects qualified can be delivered to the clients. All completed properties of our Company have passed the examination by the environmental protection agencies, and we have obtained relevant official approval for environmental impact assessment for the properties under development.

We implemented the policy of recycling and reusing paper in all the offices in Hong Kong and China. We also encouraged the employees to keep a habit of saving energy, such as setting the computer into a sleep mode instead of idling and saving electric energy during lunch hour.

AWARDS

No.	Award	Awarded by	Date
1	2016 Outstanding Children's Real Estate Company with Chinese Characteristics in Real Estate Operations	Co-issued by China Index Research Institute, Enterprise Research Institute of Development Research Center of the State Council, and Institute of Real Estate of Tsinghua University	March 2016
2	2016 China's TOP 10 Commercial Real Estates in Brand Value	Co-issued by China Index Academy, Enterprise Research Institute of Development Research Center of the State Council, and Institute of Real Estate of Tsinghua University	September 2016
3	2016 Top 100 Most Popular Companies in Zhejiang Province	Issued by Zhejiang Economic Net, and Xinhua Net Zhejiang Channel	March 2017

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

OPINION

We have audited the consolidated financial statements of Xinming China Holdings Limited (the "Company") and its subsidiaries (the"Group") set out on pages 92 to 179, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for completed properties held for sale As at 31 December 2016, completed properties held for sale and the related impairment provision amounted to approximately RMB642 million and RMB21 million, respectively. The provision was made for the completed properties held for sale because the unit costs of the these properties were higher than the net realisable values. The balance of the provision amounted to RMB21 million, which was material to the financial statements. In addition, the determination of the impairment provision required management assessing the net realisable value of the properties, which was complex and involved highly judgement on the assumptions. The accounting policies and disclosures for provision for completed properties held for sale are included in notes 2.4, 3 and 17 to the consolidated financial statements.	We evaluated the competency and objectivity of the external appraiser engaged by the Company and involved our internal valuation experts to assist in our audit work, including reviewing the methodology and key valuation parameter adopted by the external appraiser. We assessed whether the estimated sales prices were based on the existing contracts or based on the comparable properties in the market. We performed recalculation of the provision for a sample of inventories. We also involved our internal valuation specialists to assist us in analysing the valuation methodology and underlying assumptions.

To the members of XINMING CHINA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2016, investment properties amounted to approximately RMB3,074 million, and represented 39% of the total assets of the Group, which was material to the financial statements. To support management's assessment of the fair value of the properties, it was the Group's policy that property valuations are performed by external appraiser at least once a year. The valuation of the properties involved significant judgement, was highly dependent on estimates and was based on a number of assumptions, such as estimated rental revenues, discount rates, occupancy rates, market knowledge, development risk and historical transactions. The accounting policies and disclosures for valuation of investment properties are included in note 2.4, 3 and 14 to the consolidated financial statements.	We considered the objectivity, independence and expertise of the external appraiser. We assessed the valuation approach and the key assumptions used, which included market month rental rate, term yield, reversion yield and long term vacancy rate which were used in developing the valuation through income approach. Our internal valuation specialists were involved to assist us in evaluating the techniques and discount rates used in the calculation against valuation guideline and industry practice.

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax ("LAT") The subsidiaries of the Group that are engaged in property development are subject to LAT. For the year ended 31 December 2016, a LAT provision of approximately RMB42 million was estimated and recorded in accordance with the relevant PRC tax laws and regulations. The LAT provision was material to the financial statement. The estimation of LAT was complex and involved a high degree of judgement exercised by the managements. Furthermore, it could only be finalised upon the completion of the property development projects and the final determination of tax by the tax authorities. The accounting policies and disclosures for the provision of land appreciation are included in note 2.4, 3 and 10 to the consolidated financial statements.	We assessed the calculation of the LAT provision, by testing the underlying data and tax rates used. In addition, we involved our internal tax specialists to assist us in analysing the calculation of the provision.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is HO SIU FUNG, TERENCE.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**660,049**	1,348,818
Cost of sales		**(311,259)**	(934,266)
Gross profit		**348,790**	414,552
Other income and gains	5	**5,893**	16,131
Selling and distribution costs		**(94,250)**	(73,392)
Administrative expenses		**(84,791)**	(110,687)
Other expenses		**(28,526)**	(10,557)
Changes in fair value of investment properties		**59,396**	532,303
Finance costs	6	**(55)**	(1,778)
PROFIT BEFORE TAX	7	**206,457**	766,572
Income tax expense	10	**(179,437)**	(274,740)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**27,020**	491,832
ATTRIBUTABLE TO:			
Owners of the parent		**10,211**	367,622
Non-controlling interests		**16,809**	124,210
		27,020	491,832
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	12	**0.01**	0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**9,656**	13,147
Investment properties	14	**3,074,014**	2,975,565
Deferred tax assets	15	**82,182**	87,240
		3,165,852	3,075,952
CURRENT ASSETS			
Properties under development	16	**2,085,458**	1,526,546
Completed properties held for sale	17	**1,305,659**	1,605,549
Trade receivables	18	**81,756**	133,158
Due from other related parties	36	**27,872**	4,123
Prepayments, deposits and other receivables	19	**210,172**	263,795
Tax recoverable		**41,726**	22,272
Restricted deposits	20	**503,082**	501,328
Cash and cash equivalents	20	**465,613**	430,227
		4,721,338	4,486,998
CURRENT LIABILITIES			
Trade payables	21	**708,389**	1,070,249
Other payables and accruals	22	**430,851**	351,884
Advances from customers	23	**652,021**	213,032
Due to other related parties	36	**9,768**	14,346
Interest-bearing bank loans and other borrowings	24	**1,544,545**	405,080
Provisions	25	**1,097**	862
Tax payable	26	**708,205**	623,043
		4,054,876	2,678,496
NET CURRENT ASSETS		**666,462**	1,808,502
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,832,314**	4,884,454

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	24	**1,464,914**	2,593,000
Provisions	25	**2,408**	–
Other liabilities	27	**17,158**	9,635
Deferred tax liabilities	15	**407,294**	371,618
		1,891,774	2,974,253
NET ASSETS		**1,940,540**	1,910,201
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**14,880**	14,891
Reserves	30	**1,745,275**	1,732,729
		1,760,155	1,747,620
Non-controlling interests		**180,385**	162,581
TOTAL EQUITY		**1,940,540**	1,910,201

Director *Director*

	Attributable to owners of the parent								
	Issued capital	**Share premium***	**Merger reserve***	**Capital reserve***	**Reserve regarding share award scheme***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 28)		*(Note 30)*	*(Note 30)*	*(Note 29)*				
1 January 2015	–	–	81,491	–	–	814,525	896,016	44,884	940,900
Issue of shares	14,891	517,479	–	–	–	–	532,370	–	532,370
Share issuance expenses	–	(20,121)	–	–	–	–	(20,121)	–	(20,121)
Acquisition of non-controlling interests	–	–	–	(28,267)	–	–	(28,267)	(6,513)	(34,780)
Profit and total other comprehensive income for the year	–	–	–	–	–	367,622	367,622	124,210	491,832
At 31 December 2015 and 1 January 2016	**14,891**	**497,358**	**81,491**	**(28,267)**	**–**	**1,182,147**	**1,747,620**	**162,581**	**1,910,201**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(995)**	**–**	**–**	**(995)**	**995**	**–**
Share repurchased	**(11)**	**(1,203)**	**–**	**–**	**–**	**–**	**(1,214)**	**–**	**(1,214)**
Equity-settled share award scheme	**–**	**–**	**–**	**–**	**4,533**	**–**	**4,533**	**–**	**4,533**
Profit and total other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**10,211**	**10,211**	**16,809**	**27,020**
At 31 December 2016	**14,880**	**496,155**	**81,491**	**(29,262)**	**4,533**	**1,192,358**	**1,760,155**	**180,385**	**1,940,540**

* These reserve accounts comprise the consolidated reserves of RMB1,745,275,000 (2015: RMB1,732,729,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**206,457**	766,572
Adjustments for:			
Depreciation	7	**3,908**	3,987
Changes in fair value of investment properties	7	**(59,396)**	(532,303)
Foreign exchange gain or loss		**(1,105)**	(1,798)
Bank interest income	5	**(3,469)**	(518)
Provision for impairment of completed properties held for sale	7	**14,843**	6,174
Realisation of onerous operating leases	7	**(270)**	(19,039)
Additional/(reversal of) provision for onerous operating leases	7	**2,858**	(6,187)
Provision for impairment of trade receivables	7	**5,859**	8,979
Finance costs	6	**55**	1,778
Equity-settled share award expense		**4,533**	–
		174,273	227,645
Decrease/(increase) in trade receivables		**45,543**	(137,040)
Decrease in prepayments, deposits and other receivables		**79,926**	543,529
Increase/(decrease) in advances from customers		**438,989**	(870,337)
(Decrease)/increase in trade payables		**(361,860)**	374,817
Increase in other liabilities		**7,523**	9,339
Increase in other payables and accruals		**140**	92,365
Increase in properties under development and completed properties held for sale		**(105,329)**	(231,525)
Increase in investment properties		**(17,702)**	(610,574)
Increase in amounts due from other related parties		**(23,749)**	–
Decrease in amounts due to other related parties		**(4,578)**	–
Increase in restricted deposits		**(1,754)**	(482,927)
Cash from/(used in) operations		**231,422**	(1,084,708)
Tax paid		**(72,997)**	(54,010)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**158,425**	(1,138,718)

	Note	**2016** **RMB'000**	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(560)**	(767)
Proceeds from disposal of items of property, plant and equipment		**143**	11
Bank interest income	5	**3,469**	518
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**3,052**	(238)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	532,370
Share issue expenses		**–**	(20,121)
Share repurchased	28	**(1,214)**	–
Interest paid		**(189,887)**	(162,912)
New interest-bearing bank loans and other borrowings		**726,460**	2,123,700
Increase in other receivables		**(26,303)**	(81,360)
Increase/(decrease) in other payables		**78,828**	(65,181)
Acquisition of non-controlling interests		**–**	(34,780)
Increase in amounts due from other related parties		**–**	(631)
Decrease in an amount due from the Controlling Shareholder		**–**	4,042
Decrease in amounts due to other related parties		**–**	(242,423)
Repayment of interest-bearing bank loans and other borrowings		**(715,080)**	(525,620)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(127,196)**	1,527,084
NET INCREASE IN CASH AND CASH EQUIVALENTS		**34,281**	388,128
Cash and cash equivalents at beginning of year		**430,227**	40,301
Effect of foreign exchange rate changes, net		**1,105**	1,798
CASH AND CASH EQUIVALENTS AT END OF YEAR		**465,613**	430,227

1. CORPORATE AND GROUP INFORMATION

Xinming China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. The Group were mainly involved in property development, property leasing and the provision of property management services. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xinxing Company Limited. The ultimate controlling shareholder of the Group is Mr. Chen Chengshou (the "Controlling Shareholder").

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2015.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinming Capital Limited*[1] ("Xinming Capital")	17 January 2014 The British Virgin Islands	USD50,000	100%	–	Investment holding
Xinming China Investment Limited*[2] ("Xinming Hong Kong")	4 February 2014 Hong Kong	HKD1,000,000	–	100%	Investment holding
Hangzhou Times Enterprise Management Consulting Limited*[3] ("Hangzhou Times")	9 April 2014 PRC/Mainland China	RMB30,000,000	–	100%	Investment holding
Xinming Group Holding Limited*[4] ("Xinming Group")	5 November 2012 PRC/Mainland China	RMB50,000,000	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's subsidiaries are as follows: *(Continued)*

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou City Xinming Real Estate Development Company Limited*[4/5] ("Taizhou Xinming")	12 February 2007 PRC/Mainland China	RMB10,000,000	–	100%	Property development
Taizhou Xinming Property Investment Limited*[4] ("Taizhou Investment")	12 September 2008 PRC/Mainland China	RMB160,000,000	–	100%	Property development and property investment
Taizhou Wenshang Times Property Limited*[4] ("Wenshang Times")	13 January 2010 PRC/Mainland China	RMB50,000,000	–	100%	Property development and property investment
Shanghai Xinming Global Property Limited*[4] ("Shanghai Xinming")	29 April 2011 PRC/Mainland China	RMB50,000,000	–	79%	Property development and property investment
Chongqing Xinming Property Company Limited*[4] ("Chongqing Xinming")	16 November 2012 PRC/Mainland China	RMB100,000,000	–	60%	Property development and property investment
Zhejiang Xinming Property Services Limited*[4] ("Xinming Property")	14 November 2005 PRC/Mainland China	RMB5,000,000	–	100%	Provision of property management service
Shandong Xingmeng Property Limited*[4] ("Shandong Xingmeng")	24 October 2011 PRC/Mainland China	RMB50,000,000	–	75%	Property development and property management

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's subsidiaries are as follows: *(Continued)*

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Xinming Property Limited*[4] ("Hangzhou Xinming")	28 March 2014 PRC/Mainland China	RMB50,000,000	–	100%	Property development and property management
Zhongtong Business Management Limited*[4/6] ("Zhongtong Management")	11 September 2015 PRC/Mainland China	RMB10,000,000	–	100%	Business management
Zhejiang Rongyi Business Management Limited*[4] ("Zhejiang Rongyi")	21 October 2015 PRC/Mainland China	RMB10,000,000	–	65%	Business management
Shanghai Rongkun Business Management Limited*[4] ("Shanghai Rongkun")	26 January 2016 PRC/Mainland China	RMB5,000,000	–	65%	Business management
Shanghai Jiaren Investment Management Limited*[4] ("Shanghai Jiaren")	23 February 2016 PRC/Mainland China	RMB10,000,000	–	100%	Investment management

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

1 Registered as limited liability company under BVI law.

2 Registered as limited liability company under HK law.

3 Registered as wholly-foreign-owned enterprises under PRC law.

4 Registered as limited liability companies under PRC law.

5 The registered share capital of Taizhou Xinming was reduced from RMB71,800,000 to RMB10,000,000 on 8 October 2016.

6 The Group disposed Zhongtong Management on 18 January 2017.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties measured at fair value through profit or loss. These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

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

   (i) the materiality requirements in IAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2017

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

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

4 No mandatory effective date yet determined but is available for adoption

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

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

Other than as further explained below regarding the impact of IFRS 9, IFRS 15 and IFRS 16, the Group expects that the adoption of the new and revised IFRSs will have no significant financial effect on the Group's results of operations and financial position.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non–financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

Plant and machinery	9.5%
Furniture and office equipment	19.0% to 31.6%
Motor vehicles	19.0%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

For a transfer from properties under development and completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Properties under development

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

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

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

Completed properties held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

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

Operating leases

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

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

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to other related parties.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

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

(c) income from the rendering of services, when the services are rendered and the inflow of economic benefit is probable; and

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 April 2016 is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 29 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

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

Employee benefits

Pension schemes

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

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

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

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Group's and the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Sales and leaseback transactions

The Group entered into a number of contracts or agreements in respect of sales and leaseback with certain property buyers for the purpose of leasing such properties to third party tenants. In assessing whether sales and leaseback transaction results in an operating lease or a finance lease, the management of the Group considers many factors including the sales price of the properties, the lease terms and the length of the lease period. Based on the assessment, the Group considers that the arrangements result in operating leases. The determination is subject to judgement on the factors and circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and completed properties held for sale

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

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision of properties under development and completed properties held for sale

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

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such a 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 the estimate is changed will be adjusted accordingly.

PRC land appreciation tax ("LAT")

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

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

Estimation on the fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction carried at fair value, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at 31 December 2016 and 2015 were RMB3,074,014,000 and RMB2,975,565,000, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provisions

The Group makes provisions for onerous contracts, which management estimates the related provisions based on existing contract terms, expected economic benefits, available knowledge and past experience.

The carrying amount of the provisions at 31 December 2016 was RMB3,505,000 (2015: RMB862,000). More details are given in note 25 to the financial information.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses was RMB27,842,000 (2015: RMB23,492,000). Further details are contained in note 15 to the financial statements.

4. SEGMENT INFORMATION

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

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

(b) the property leasing segment engages in leasing out properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the management of the Group's developed properties; and;

(d) the others segment engages in investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains or losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

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

4. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2016

	Property development *RMB'000*	Property leasing *RMB'000*	Property management *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	593,104	49,576	17,369	–	660,049
Revenue					660,049
Segment results:	206,877	50,598	(1,153)	(49,865)	206,457
Profit before tax					206,457
Segment assets	5,936,600	1,666,787	18,266	3,652,460	11,274,113
Reconciliation:					
Elimination of intersegment receivables					(3,386,923)
Total assets					7,887,190
Segment liabilities	5,591,600	529,819	48,155	2,398,884	8,568,458
Reconciliation:					
Elimination of intersegment payables					(2,621,808)
Total liabilities					5,946,650
Other segment information:					
Depreciation	3,693	92	46	77	3,908
Provision for impairment of completed properties held for sale	14,843	–	–	–	14,843
Provision for impairment of trade receivables	–	5,859	–	–	5,859
Realisation of onerous operating leases	–	(270)	–	–	(270)
Bank interest income	(246)	(22)	(3)	(3,198)	(3,469)
Finance costs	–	55	–	–	55
Fair value gain on investment properties	–	(59,396)	–	–	(59,396)
Capital expenditure	198	17,702	68	294	18,262

4. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2015

	Property development *RMB'000*	Property leasing *RMB'000*	Property management *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	1,253,738	78,542	16,538	–	1,348,818
Revenue					1,348,818
Segment results:	259,295	525,893	(5,014)	(13,602)	766,572
Profit before tax					766,572
Segment assets	6,748,036	2,992,347	17,548	1,325,842	11,083,773
Reconciliation:					
Elimination of intersegment receivables					(3,520,823)
Total assets					7,562,950
Segment liabilities	5,659,193	481,697	63,284	862,110	7,066,284
Reconciliation:					
Elimination of intersegment payables					(1,413,535)
Total liabilities					5,652,749
Other segment information:					
Depreciation	3,853	81	49	4	3,987
Provision for impairment of completed properties held for sale	6,174	–	–	–	6,174
Provision for impairment of trade receivables	–	8,979	–	–	8,979
Realisation of onerous operating leases	–	(19,039)	–	–	(19,039)
Bank interest income	(189)	(2)	(6)	(321)	(518)
Finance costs	–	1,778	–	–	1,778
Fair value gains on investment properties	–	(532,303)	–	–	(532,303)
Capital expenditure	595	99,813	36	93	100,537

4. SEGMENT INFORMATION *(Continued)*

Geographical information

Since the Group solely operates business in the People's Republic of China ("PRC") and all of the non-current assets of the Group are located in the PRC, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of properties sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**607,452**	1,329,526
Rental income	**51,123**	82,222
Property management service income	**18,833**	18,568
	677,408	1,430,316
Less: Government surcharges	**(17,359)**	(81,498)
	660,049	1,348,818
Other income and gains		
Exchange gain	**1,325**	14,984
Bank interest income	**3,469**	518
Government grants	**100**	78
Others	**999**	551
	5,893	16,131

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 **RMB'000**	2015 *RMB'000*
Interest on interest-bearing bank loans and other borrowings wholly repayable within five years	**187,734**	143,976
Interest on interest-bearing bank loans and other borrowings not wholly repayable within five years	**2,153**	18,936
Notional interest	**55**	1,778
Total interest expense on financial liabilities not at fair value through profit or loss	**189,942**	164,690
Less: Interest capitalised	**(189,887)**	(162,912)
	55	1,778

7. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of properties sold	**263,696**	860,359
Cost of property management service provided	**16,419**	19,102
Cost of leasing properties	**31,144**	54,805
Auditor's remuneration	**2,200**	2,200
Depreciation *(note 13)*	**3,908**	3,987
Minimum lease payments under operating leases	**1,602**	1,540
Subtotal	**318,969**	941,993
Employee benefit expense (excluding directors' remuneration as set out in *note 8*)		
Wages and salaries	**34,264**	38,153
Equity-settled share award expense	**4,159**	–
Pension scheme and social welfare	**11,016**	12,307
Subtotal	**49,439**	50,460
Impairment of completed properties held for sale *(note 17)*	**14,843**	6,174
Impairment of trade receivables *(note 18)*	**5,859**	8,979
Additional/(reversal of) provision for onerous operating leases *(note 25)*	**2,858**	(6,187)
Realisation of onerous operating leases *(note 25)*	**(270)**	(19,039)
Changes in fair value of investment properties *(note 14)*	**(59,396)**	(532,303)
Foreign exchange differences, net	**(1,105)**	(1,798)
Gain on disposal of property, plant and equipment	**(197)**	(400)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2016	2015
	RMB'000	*RMB'000*
Fees	**585**	260
Other emoluments:		
Salaries, allowances and benefits in kind	**2,010**	1,623
Equity-settled share award expense	**374**	–
Pension scheme contributions	**209**	229
	2,593	1,852

During the year, certain directors were granted share award, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such award, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2016	2015
	RMB'000	*RMB'000*
Mr. Gu Jiong	**173**	80
Mr. Lo Wa Kei, Roy	**195**	80
Mr. Fong Wo, Felix	**217**	100
	585	260

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director

	Fees	Salaries, allowances and benefits in kind	Equity-settled share award expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2016					
Executive directors:					
– Mr. Chen Chengshou	**–**	**983**	**–**	**59**	**1,042**
– Mr. Feng Cizhao	**–**	**300**	**109**	**39**	**448**
– Mr. Wong Thian Tsu Michael	**–**	**152**	**–**	**–**	**152**
– Ms. Quan Xiaolin	**–**	**265**	**–**	**29**	**294**
– Mr. Zhou Yongkui	**–**	**130**	**265**	**23**	**418**
	–	**1,830**	**374**	**150**	**2,354**
Non-executive director:					
– Ms. Gao Qiaoqin	**–**	**180**	**–**	**59**	**239**
	–	**2,010**	**374**	**209**	**2,593**
2015					
Executive directors:					
– Mr. Chen Chengshou	–	677	–	55	732
– Ms. Quan Xiaolin	–	289	–	55	344
– Mr. Zhou Yongkui	–	329	–	55	384
– Mr. Feng Cizhao	–	148	–	9	157
	–	1,443	–	174	1,617
Non-executive director:					
– Ms. Gao Qiaoqin	–	180	–	55	235
	–	1,623	–	229	1,852

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director *(Continued)*

Ms. Quan Xiaolin and Mr. Zhou Yongkui resigned as executive directors of the Company on 12 June 2016. On 24 June 2016, Mr. Wong Thian Tsu Michael was appointed as an executive director of the Company.

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

9. FIVE HIGHEST PAID EMPLOYEES

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

	2016	2015
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,257**	3,543
Equity-settled share award expense	**372**	–
Pension scheme contributions	**172**	223
	3,801	3,766

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2016	2015
Nil to HK$1,000,000	**4**	4

10. INCOME TAX

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

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law"). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

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

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

The major components of income tax expense are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Current tax:		
Income tax in the PRC for the year	**33,715**	16,603
LAT	**104,988**	91,845
Deferred tax *(note 15)*	**40,734**	166,292
Total tax charge for the year	**179,437**	274,740

10. INCOME TAX *(Continued)*

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, is as follows:

	2016 **RMB'000**	2015 *RMB'000*
Profit before tax	**206,457**	766,572
Tax at the statutory tax rate	**52,237**	191,643
Expenses not deductible for tax	**7,303**	2,595
Tax losses and temporary differences not recognised	**41,156**	11,619
Subtotal	**100,696**	205,857
LAT provision for the year	**41,775**	38,862
Prepaid LAT for the year	**63,213**	52,983
Deferred tax effect of LAT provision *(note 15)*	**(10,444)**	(9,716)
Tax effect of prepaid LAT	**(15,803)**	(13,246)
Total tax charge at the Group's effective rate	**179,437**	274,740

For the year ended 31 December 2016, deferred tax assets in respect of tax losses and temporary differences amounting to RMB166,600,000 (2015: RMB46,476,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation (2015: nil).

12. EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,879,303,490 (2015: 1,639,205,479) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of the basic earnings per share is based on:

	2016 ***RMB'000***	2015 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**10,211**	367,622

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,879,303,490**	1,639,205,479

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *RMB'000*	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2015	2,662	7,307	23,654	33,623
Additions	–	332	435	767
Disposal	–	(1,110)	(12)	(1,122)
At 31 December 2015 and 1 January 2016	2,662	6,529	24,077	33,268
Additions	–	540	20	560
Disposal	–	(1,457)	(1,388)	(2,845)
At 31 December 2016	2,662	5,612	22,709	30,983
Accumulated depreciation:				
At January 2015	2,529	4,859	9,858	17,246
Charge for the year	–	1,035	2,952	3,987
Disposal	–	(1,100)	(12)	(1,112)
At 31 December 2015 and 1 January 2016	2,529	4,794	12,798	20,121
Charge for the year	–	840	3,068	3,908
Disposal	–	(1,342)	(1,360)	(2,702)
At 31 December 2016	2,529	4,292	14,506	21,327
Net carrying amount:				
At 31 December 2015	133	1,735	11,279	13,147
At 31 December 2016	133	1,320	8,203	9,656

None of the Group's property, plant and equipment (2015: nil) have been pledged to secure bank loans granted to the Group.

14. INVESTMENT PROPERTIES

	Completed *RMB'000*	Under construction *RMB'000*	Total *RMB'000*
At 1 January 2015	1,832,688	–	1,832,688
Transfer from properties under development	–	610,574	610,574
Transfer	408,192	(408,192)	–
Change in fair value of investment properties	427,485	104,818	532,303
At 31 December 2015	2,668,365	307,200	2,975,565
Additions	–	17,702	17,702
Transfer from completed properties held for sale	21,351	–	21,351
Transfer	324,902	(324,902)	–
Change in fair value of investment properties	59,396	–	59,396
At 31 December 2016	3,074,014	–	3,074,014

	2016 ***RMB'000***	2015 *RMB'000*
Carrying amount	**1,471,266**	1,432,213
Investment properties: At fair value	**3,074,014**	2,975,565

The Group's investment properties consist of commercial properties completed and under construction in Mainland China. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further details of which are included in note 34.

As at 31 December 2016, the Group's investment properties with a value of RMB3,074,014,000 (2015: RMB2,975,565,000) were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group (note 24).

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

Recurring fair value measurement for:	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
31 December 2016				
Commercial properties	**–**	**–**	**3,074,014**	**3,074,014**
31 December 2015				
Commercial properties	–	–	2,975,565	2,975,565

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

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

	Commercial properties *RMB'000*
Carrying amount at 1 January 2015	1,832,688
Transfer from properties under development	610,574
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	532,303
Carrying amount at 31 December 2015	2,975,565
Additions	17,702
Transfer from completed properties held for sale	21,351
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	59,396
Carrying amount at 31 December 2016	3,074,014

14. INVESTMENT PROPERTIES *(Continued)*

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

Commercial properties	**Valuation techniques**	**Significant unobservable inputs**	**Range (weighted average)**
Year ended 31 December 2016	Income method	Market month rental rate *(RMB/sq.m)*	0.49-5.69
		Term yield	5.00%-6.00%
		Reversionary yield	5.00%-7.00%
		Long term vacancy rate	2.00%-8.00%
Year ended 31 December 2015	Income method	Market month rental rate *(RMB/sq.m)*	0.49-5.79
		Term yield	5.50%-6.00%
		Reversionary yield	5.00%-7.00%
		Long term vacancy rate	2.00%-5.00%

The investment properties under construction have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans.

The investment properties completed or close to completion have been valued by using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

14. INVESTMENT PROPERTIES *(Continued)*

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

15. DEFERRED TAX

Deferred tax assets

The following are the deferred tax assets recognised and the movements therein during the year:

	Loss available for offsetting against future taxable profit *RMB'000*	Accruals and provisions *RMB'000*	Accrued LAT *RMB'000*	Total *RMB'000*
Deferred tax assets				
Gross deferred tax assets				
At 1 January 2015	38,184	6,208	109,648	154,040
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	(14,692)	(450)	9,716	(5,426)
At 31 December 2015	23,492	5,758	119,364	148,614
Deferred tax credited to profit or loss during the year *(note 10)*	4,350	2,168	10,444	16,962
At 31 December 2016	27,842	7,926	129,808	165,576

The Group has tax losses arising in Mainland China of RMB111,368,000 (2015: RMB93,976,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets in respect of tax losses and temporary differences amounting to RMB97,280,000 (2015: RMB56,124,000) have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

15. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Accelerated tax depreciation *RMB'000*	Adjustment of fair value arising from investment properties *RMB'000*	Capitalised interest *RMB'000*	Total *RMB'000*
Deferred tax liabilities				
Gross deferred tax liabilities				
At 1 January 2015	19,364	252,762	–	272,126
Deferred tax charged to profit or loss during the year *(note 10)*	9,169	133,076	18,621	160,866
At 31 December 2015	28,533	385,838	18,621	432,992
Deferred tax charged to profit or loss during the year *(note 10)*	14,200	14,849	28,647	57,696
At 31 December 2016	42,733	400,687	47,268	490,688

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2016, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the subsidiaries of the Group established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 31 December 2016 in the foreseeable future. The aggregate amount of temporary differences associated with the investment in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB101,384,000 (2015: RMB78,183,000).

15. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**82,182**	87,240
Net deferred tax liabilities recognised in the consolidated statement of financial position	**407,294**	371,618
	(325,112)	(284,378)

16. PROPERTIES UNDER DEVELOPMENT

	2016 **RMB'000**	2015 RMB'000
Carrying amount	**1,526,546**	1,664,186
Additions	**558,912**	1,865,372
Transferred to completed properties held for sale	**–**	(1,392,438)
Transferred to investment properties	**–**	(610,574)
	2,085,458	1,526,546

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB1,172,808,000 (2015: RMB1,381,368,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 24).

17. COMPLETED PROPERTIES HELD FOR SALE

	2016 RMB'000	2015 RMB'000
Carrying amount	**1,605,549**	1,079,644
Transferred from properties under development	**–**	1,392,438
Transferred to cost of properties sold	**(263,696)**	(860,359)
Transferred to investment properties	**(21,351)**	–
Impairment loss	**(14,843)**	(6,174)
	1,305,659	1,605,549

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB540,591,000 (2015: RMB155,036,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 24).

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

	2016 RMB'000	2015 RMB'000
At beginning and end of year	**6,174**	–
Impairment loss realised	**(31)**	–
Impairment for completed properties held for sale	**14,843**	6,174
	20,986	6,174

Included in the above provision for impairment of completed properties held for sale is provision for the impaired completed properties held for sale of RMB20,986,000 (2015: RMB6,174,000) with a carrying amount before provision of RMB642,106,000 (2015: RMB243,288,000).

18. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**98,024**	143,567
Impairment	**(16,268)**	(10,409)
	81,756	133,158

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

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

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**81,756**	133,158

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

	2016	2015
	RMB'000	*RMB'000*
At beginning and end of year	**10,409**	1,430
Impairment for trade receivables	**5,859**	8,979
	16,268	10,409

18. TRADE RECEIVABLES *(Continued)*

Included in the above provision for impairment of trade receivables is provision for the impaired trade receivables of RMB16,268,000 (2015:RMB10,409,000) with a carrying amount before provision of RMB22,354,000 (2015: RMB19,388,000).

The aging analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**75,670**	114,944
Past due within one year but not impaired	**6,086**	18,214
	81,756	133,158

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

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Prepayments	**26,756**	15,033
Other tax recoverable	**28,025**	13,135
Deposits and other receivables	**155,391**	235,627
	210,172	263,795

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

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Cash at hand	**263**	523
Cash at banks, unrestricted	**465,350**	429,704
Cash and cash equivalents	**465,613**	430,227
Dominated in RMB	**450,386**	395,472
Dominated in HK$	**15,205**	34,735
Dominated in US$	**22**	20
	465,613	430,227
Restricted presale proceeds	**3,082**	1,328
Pledged deposits	**500,000**	500,000
Restricted deposits	**503,082**	501,328

Certain of the Group's bank deposits with an aggregate carrying amount of approximately RMB500,000,000 (2015: RMB500,000,000) have been secured to secure interest-bearing bank loans and other borrowings granted to the Group (note 24).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of presale proceeds of properties as deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

21. TRADE PAYABLES

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

	2016 *RMB'000*	2015 *RMB'000*
Less than one year	**414,184**	1,058,143
Over one year	**294,205**	12,106
	708,389	1,070,249

The trade payables are unsecured and interest free.

22. OTHER PAYABLES AND ACCRUALS

	2016 *RMB'000*	2015 *RMB'000*
Payables to third parties	**137,928**	58,367
Other payables and accruals	**135,349**	143,127
Other tax payables	**53,706**	33,173
Deposits related to sales of properties	**53,196**	46,859
Deposits related to construction	**22,416**	30,138
Payroll and welfare payables	**19,811**	35,633
Others	**6,629**	4,587
Rental payables	**1,816**	–
	430,851	351,884

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand.

23. ADVANCES FROM CUSTOMERS

Advances from customers represent the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of the reporting period, properties management service fee received from proprietors and rental income received from lessees.

24. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2016			2015		
	Effective interest (%)	**Maturity**	***RMB'000***	Effective interest (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**6.83-12.50**	**2017**	**239,000**	–	–	–
Other borrowings – secured	**9.00-17.40**	**2017**	**258,000**	–	–	–
Current portion of long term bank loans – secured	**1.88-6.13**	**2017**	**849,545**	6.33-7.06	2016	255,080
Current portion of long term other borrowings – secured	**9.00**	**2017**	**198,000**	9.00	2016	150,000
			1,544,545			405,080
Non-current						
Bank loans – secured	**5.23-6.13**	**2018-2022**	**290,000**	2.42-7.06	2017-2022	1,202,000
Other borrowings – secured	**9.48-9.50**	**2018-2019**	**1,174,914**	9.00-9.50	2017-2019	1,391,000
			1,464,914			2,593,000
			3,009,459			2,998,080
Analysed into:						
Bank loans repayable:						
Repayable within one year			**1,088,545**			255,080
Repayable in the second year			**100,000**			1,007,000
Repayable in the third to fifth years			**130,000**			125,000
Repayable beyond five years			**60,000**			70,000
			1,378,545			1,457,080
Other borrowings repayable:						
Repayable within one year			**456,000**			150,000
Repayable in the second year			**674,914**			198,000
Repayable in the third to fifth years			**500,000**			1,193,000
			1,630,914			1,541,000
			3,009,459			2,998,080

24. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(Continued)*

The Group's interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at 31 December 2016 and 2015:

		2016 RMB'000	2015 RMB'000
Equity interests in subsidiaries	(i)	**135,007**	299,532
Investment properties	(ii)	**3,074,014**	2,975,565
Completed properties held for sale	(iii)	**540,591**	155,036
Pledged deposits	(iv)	**500,000**	500,000
Properties under development	(v)	**1,172,808**	1,381,368

(i) The Group's other borrowings of RMB500,000,000, RMB198,000,000 and nil (2015: RMB500,000,000, nil and RMB150,000,000) were secured by the 100% equity interests in Taizhou Investment, Wenshang Times and Hangzhou Xinming, subsidiaries of the Company, respectively.

The Group's interest-bearing bank loans of RMB150,000,000 (2015: nil) was secured by the 79% equity interest in Shanghai Xinming, a subsidiary of the Company.

(ii) The Group's interest-bearing bank loans of RMB360,000,000, RMB245,545,000 and RMB210,000,000 (2015:RMB250,000,000, RMB392,000,000 and RMB215,000,000) were secured by investment properties of Taizhou Investment, Shanghai Xinming and Chongqing Xinming, subsidiaries of the Company, respectively.

The Group's other borrowings of RMB500,000,000 and nil (2015: RMB500,000,000 and RMB150,000,000) were secured by investment properties of Wenshang Times and Taizhou Investment, subsidiaries of the Company, respectively.

(iii) The Group's other borrowings of RMB198,000,000 and RMB89,000,000 (2015: RMB198,000,000 and nil) were secured by completed properties held for sale of Shandong Xingmeng and Wenshang Times, subsidiaries of the Company, respectively.

(iv) The Group's interest-bearing bank loans of RMB485,000,000 (2015: RMB485,000,000) was secured by pledged deposits of Xinming Hong Kong.

(v) The Group's interest-bearing bank loans of RMB210,000,000 (2015: RMB330,080,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company.

The Group's other borrowings of RMB198,000,000 and RMB734,914,000 (2015: RMB198,000,000 and RMB693,000,000) were secured by properties under development of Shandong Xingmeng and Hangzhou Xinming, subsidiaries of the Company, respectively.

24. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(Continued)*

(vi) The Group's interest-bearing bank loans and other borrowings of RMB2,524,460,000 (2015: RMB2,513,080,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited and Hangzhou Taoyuan Shanzhuang Property Development Limited, related parties of the Group and (iv) Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company (2015: were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group and (iv) Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company), as set out in note 36(b)(v).

25. PROVISIONS

Onerous operating leases:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**862**	24,310
Additional/(reversal of) provision	**2,858**	(6,187)
Realisation	**(270)**	(19,039)
Increase in discounted amounts arising from the passage of time	**55**	1,778
At 31 December	**3,505**	862
Analysed into:		
Current	**1,097**	862
Non-current	**2,408**	–

Onerous contract provision

The Group sold certain of the commercial properties at market prices, and then lease back from the owners for the purpose of leasing them out to third party tenants. Pursuant to the payment terms of these contracts from 1 July 2014 to 30 June 2019, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received as at 31 December 2016 and 2015. A provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts.

26. TAX PAYABLE

	2016 *RMB'000*	2015 *RMB'000*
Income tax	**159,229**	130,277
LAT	**548,976**	492,766
	708,205	623,043

27. OTHER LIABILITIES

	2016 *RMB'000*	2015 *RMB'000*
Rental payables	**17,158**	9,635

The Group has entered into a number of contracts in respect of leasing certain of its commercial properties owned by third parties for the purpose of the leasing them to third party tenants. Pursuant to the payment term of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease term. These leases were classified as operating leases and had remaining lease terms of 30 months as at 31 December 2016. At 31 December 2016 and 2015, the operating lease payable on the straight-line basis over the lease terms was included in other liabilities and other payables in the consolidated statement of financial position.

28. ISSUED CAPITAL

Issued capital

	Note	Number of shares	Nominal value of HK$0.01 each	Nominal value RMB
Authorised:				
At 31 December 2015 and 31 December 2016		1,880,000,000	18,800,000	14,891,000
Issued and fully paid:				
At 1 January 2015		99	1	–
Capitalisation issue of shares		1,409,999,901	14,099,999	11,168,250
Issuance of new shares	*(i)*	470,000,000	4,700,000	3,722,750
At 31 December 2015 and 1 January 2016		1,880,000,000	18,800,000	14,891,000
Shares repurchased	*(ii)*	(1,378,000)	(13,780)	(11,000)
At 31 December 2016		1,878,622,000	18,786,220	14,880,000

(i) In connection with the Company's Global Offering on the Stock Exchange on 6 July 2015, 470,000,000 ordinary shares of HK$0.01 each were issued at a subscription price of HK$1.43 per share for the total cash consideration, before deducting expenses related to the issuance of shares which amounted to HK$672,100,000 (equivalent to approximately RMB532,370,000).

(ii) In 2016, the Company repurchased on the Stock Exchange a total of 1,378,000 shares of HK$0.01 each of the Company, at an aggregate consideration before expense of approximately HK$1,419,000 (approximately RMB1,214,000), all the shares were cancelled in 2016. The aggregate consideration paid was debited to Group's issued capital by RMB11,000 and share premium by RMB1,203,000.

29. SHARE AWARD SCHEME

On 26 January 2016, the Company adopted the share award scheme (the "Scheme") to recognize the contribution by certain eligible participants and to attract suitable personnel for further development of the Group.

On 7 April 2016, the Board resolved to grant a total of 13,716,666 awarded shares (the "Awarded Shares") to 150 selected participants. On 19 April 2016, the Company was informed that 53 selected participants fulfilled the vesting conditions and a total number of 5,346,879 Awarded Shares was involved. A total number of 8,369,787 was forfeited/ lapsed.

The fair value of the shares granted under the scheme as at 7 April 2016, the grant date, was RMB4,533,000.

For the year ended 31 December 2016, the Group recognised an expense of RMB4,533,000 (2015: nil) in relation to the Scheme.

30. RESERVES

Merger reserve

The merger reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company and the reserve arising from acquisition of non-controlling interests. Details of the movement in the merger reserve are set out in the consolidated statement of changes in equity.

Statutory reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's PRC GAAP statutory accounts) before dividend distribution. Each subsidiary being a WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital.

The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after those usages.

Capital reserve

Capital reserve comprises the difference arising from changes in ownership interests in subsidiaries which do not result in change of control.

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

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

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Shanghai Xinming	**21%**	21%
Chongqing Xinming	**40%**	40%

	2016 *RMB'000*	2015 *RMB'000*
Profit/(loss) for the year allocated to non-controlling interests:		
Shanghai Xinming	**36,588**	70,960
Chongqing Xinming	**(14,937)**	57,988
Accumulated balances of non-controlling interests at the reporting dates:		
Shanghai Xinming	**104,951**	68,363
Chongqing Xinming	**59,714**	74,651

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

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

2016	**Shanghai Xinming** ***RMB'000***	**Chongqing Xinming** ***RMB'000***
Revenue	**525,141**	**7,892**
Total expenses	**70,095**	**29,605**
Profit/(loss) for the year	**174,227**	**(37,341)**
Total comprehensive income/(loss) for the year	**174,227**	**(37,341)**
Current assets	**582,788**	**775,678**
Non-current assets	**899,984**	**290,655**
Current liabilities	**(885,066)**	**(778,258)**
Non-current liabilities	**(97,941)**	**(138,790)**
Net cash flows from operating activities	**172,617**	**104,092**
Net cash flows used in investing activities	**(7)**	**–**
Net cash flows used in financing activities	**(157,455)**	**(120,080)**
Net increase in cash and cash equivalents	**15,155**	**(15,988)**

2015	Shanghai Xinming *RMB'000*	Chongqing Xinming *RMB'000*
Revenue	238,204	360,533
Total expenses	32,184	44,007
Profit for the year	337,908	144,972
Total comprehensive income for the year	337,908	144,972
Current assets	417,219	799,136
Non-current assets	1,128,239	211,101
Current liabilities	(728,309)	(567,325)
Non-current liabilities	(491,611)	(256,284)
Net cash flows used in operating activities	(76,455)	(331,321)
Net cash flows used in investing activities	(468)	(83)
Net cash flows from financing activities	82,000	330,080
Net increase in cash and cash equivalents	5,077	(1,324)

32. CONTINGENT LIABILITIES

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

	2016	2015
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	**17,755**	15,230

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

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

33. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, and of a bank loan granted to a major supplier, which are secured by the assets of the Group, are included in notes 24 to the financial statements.

34. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated from terms ranging from one to five years. The terms of leases generally require the tenants to pay security deposits.

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

	2016 *RMB'000*	2015 *RMB'000*
Within one year	**46,578**	48,115
In the second to fifth years, inclusive	**50,975**	33,233
	97,553	81,348

34. OPERATING LEASE ARRANGEMENTS *(Continued)*

As lessee

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

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

	2016 ***RMB'000***	2015 *RMB'000*
Within one year	**12,014**	1,612
In the second to fifth years, inclusive	**36,970**	47,192
	48,984	48,804

The Group has entered into a number of contracts in respect of leasing back commercial properties owned by third parties for the purpose of the leasing them to third party tenants. Pursuant to the payment term of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease term. These leases are classified as operating leases and have remaining lease terms of 30 months as at 31 December 2016. At 31 December 2015 and 2016, the operating lease payable on the straight-line basis over the lease terms is included in other liabilities and other payables in the consolidated statement of financial position.

35. COMMITMENTS

In addition to the operating lease commitment as detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2016 ***RMB'000***	2015 *RMB'000*
Contracted, but not provided for:		
Properties under development	**549,032**	1,309,188

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Chen Chengshou	Controlling Shareholder
Hangzhou Kaijie Decoration Co., Ltd.	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Shouchuang Industry Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Taizhou Shouchuang Construction Materials Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Tianmao Landscape Engineering Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Xinming Group Limited	Controlled by the Controlling Shareholder
Hangzhou Taoyuan Shanzhuang Property Development Limited	Controlled by the Controlling Shareholder
Shanghai Nanshuo Asset Operation and Management Co., Ltd.[1]	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Yuanyang Holdings Group Share Limited Company [2]	Controlled by Mr. Zheng Xiangtian brother of the Controlling Shareholder
Zhejiang Xinming Trading Co., Ltd.[3]	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder

1 Shanghai Nanshuo Asset Operation and Management Co., Ltd has been no longer a related company of the Group since 17 February 2017.

2 Yuanyang Holdings Group Share Limited Company has become a related company of the Group since 28 October 2016.

3 The name of Zhejiang Shunye Trading Co., Ltd. has been changed to Zhejiang Xinming Trading Co., Ltd. and its controlling shareholder has been changed from Ms. Gao Qiaoqin to Mr. Zheng Xiangtian since 10 September 2016.

36. RELATED PARTY TRANSACTIONS *(Continued)*

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

Nature of transactions

Recurring transactions

	2016 **RMB'000**	2015 *RMB'000*
(i) Purchases of construction materials and related services received from related parties		
Zhejiang Tianmao Landscape Engineering Co., Ltd.	**981**	7,347
Hangzhou Kaijie Decoration Co.,Ltd.	**–**	1,811
Zhejiang Shouchuang Industry Co., Ltd.	**–**	701
	981	9,859

The purchases of construction materials and related services received from the above related parties were made according to the prices and terms agreed between the related parties.

	2016 **RMB'000**	2015 *RMB'000*
(ii) Property management services received from a related party		
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	**–**	6,580

The property management services from the above related party were received according to the prices and terms agreed between the related parties.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*:

Nature of transactions *(Continued)*

Recurring transactions (Continued)

	2016	2015
	RMB'000	*RMB'000*
(iii) Leasing of offices from a related party		
Hangzhou Taoyuan Shanzhuang Property Development Limited.	**522**	480

The lease of offices from the above related party was entered into according to the prices and terms agreed between the related parties.

(iv) The Group entered into a trademark licence agreement with Xinming Group Limited on 21 August 2014, for a term of three years ending on 20 August 2017. Pursuant to the agreement, Xinming Group Limited has agreed to grant the Group a licence for the use of various "新明半島" trademarks of Xinming Group Limited for nil consideration.

Non-recurring transactions

(v) Guarantees provided for interest-bearing bank loans and other borrowings by related parties

As set out in note 24(vi), as at 31 December 2016 the Group's interest-bearing bank loans and other borrowings of RMB2,524,460,000 are jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited and Hangzhou Taoyuan Shanzhuang Property Development Limited, related parties of the Group and (iv) Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company (2015: RMB2,513,080,000 are jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group and (iv) Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company).

36. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties

	2016 **RMB'000**	2015 RMB'000
Due from other related parties		
Yuanyang Holdings Group Share Limited Company	**24,271**	–
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	**3,226**	3,226
Hangzhou Taoyuan Shanzhuang Property Development Limited	**375**	897
	27,872	4,123
Due to other related parties		
Zhejiang Shouchuang Industry Co., Ltd.	**5,320**	5,743
Zhejiang Tianmao Landscape Engineering Co., Ltd.	**4,253**	3,513
Hangzhou Kaijie Decoration Co., Ltd.	**195**	5,090
	9,768	14,346

As at 31 December 2016, the Group had outstanding balances due from its related parties of RMB27,872,000 (2015: RMB4,123,000). These balances mainly consist of advances to the related companies in relation to purchasing of construction materials and receiving related services, receiving management services and leasing offices.

(d) Compensation of key management personnel of the Group

	2016 **RMB'000**	2015 RMB'000
Short term employee benefits	**2,010**	1,623
Equity-settled share award expense	**374**	–
Pension scheme contributions	**209**	229
Total compensation paid to key management personnel	**2,593**	1,852

37. AMOUNTS DUE FROM RELATED PARTIES

Name	**31 December 2016** *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*	**1 January 2016** *RMB'000*	**Security held**
Yuanyang Holdings Group Share Limited Company (controlled by Mr. Zheng Xiangtian)	**24,271**	**24,271**	**–**	**None**
Shanghai Nanshuo Asset Operation and Management Co., Ltd. (controlled by Mr. Zheng Xiangtian)	**3,226**	**3,226**	**3,226**	**None**
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	**375**	**897**	**897**	**None**
	27,872	**28,394**	**4,123**	

Name	31 December 2015 *RMB'000*	Maximum amount outstanding during the year *RMB'000*	1 January 2015 *RMB'000*	Security held
Mr. Chen Chengshou	–	4,042	4,042	None
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	897	3,492	3,492	None
Zhejiang Shunye Trading Co., Ltd. (controlled by Ms. Gao Qiaoqin)	–	30,088	–	None
Shanghai Nanshuo Asset Operation and Management Co., Ltd. (controlled by Mr. Zheng Xiangtian)	3,226	3,226	–	None
	4,123	40,848	7,534	

As at 31 December 2016, the Group had outstanding balances due from its related parties of RMB27,872,000 (2015: RMB4,123,000). These balances mainly consist of advances to the related companies in relation to purchasing of construction materials and receiving related services, receiving management services and leasing offices.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of the year:

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables		
Trade and receivables	**81,756**	133,158
Financial assets included in prepayments, deposits and other receivables	**154,242**	235,627
Due from other related parties	**27,872**	4,123
Restricted deposits	**503,082**	501,328
Cash and cash equivalents	**465,613**	430,227
	1,232,565	1,304,463
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**708,389**	1,070,249
Financial liabilities included in other payables and accruals	**357,334**	283,078
Due to other related parties	**9,768**	14,346
Interest-bearing bank loans and other borrowings	**3,009,459**	2,998,080
	4,084,950	4,365,753

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	2016 ***RMB'000***	2015 *RMB'000*
Carry amount		
Interest-bearing bank loans and other borrowings	**1,464,914**	2,593,000

	2016 ***RMB'000***	2015 *RMB'000*
Fair value		
Interest-bearing bank loans and other borrowings	**1,463,049**	2,592,503

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

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowings as at 31 December 2016 and 2015 was assessed to be insignificant.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments of which fair values are disclosed:

Liabilities measured at amortised cost:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2016	2015
	RMB'000	*RMB'000*
Interest-bearing bank loans and other borrowings	**1,463,049**	2,592,503

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted deposits, equity investment at fair value through profit or loss, trade receivables, and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank loans and other borrowings, amounts due from the Controlling Shareholder, amounts due from and to other related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax*
		RMB'000
2016		
RMB	**20**	**(982)**
RMB	**(20)**	**982**
2015		
RMB	20	(1,458)
RMB	(20)	1,458

* The sensitivity is calculated based on the assumption that none of the interest was capitalised.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the Hong Kong dollar ("HK$") exchange rate, with all other variables held constant, of the Group's loss/profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ Rate	**(Decrease)/ increase in profit before tax**
	%	*RMB'000*
2016		
If HK$ weakens against RMB	**5**	**(760)**
If HK$ strengthens against RMB	**(5)**	**760**
2015		
If HK$ weakens against RMB	5	(1,737)
If HK$ strengthens against RMB	(5)	1,737

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to related parties.

The amounts due from other related parties, including the Controlling Shareholder, were RMB27,872,000 (2015: RMB4,123,000). The Group did not record any significant bad debt losses during the year.

The credit risk of the Group's other financial assets, which mainly comprise cash and restricted deposits, other receivables, amounts due from the Controlling Shareholder, and amounts due from and to related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within 1 year *RMB'000*	Within 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
31 December 2016				
Trade payables	**708,389**	**–**	**–**	**708,389**
Other payables and accruals	**357,334**	**–**	**–**	**357,334**
Due to other related parties	**9,768**	**–**	**–**	**9,768**
Interest-bearing bank loans and other borrowings	**1,738,169**	**1,565,344**	**61,869**	**3,365,382**
	2,813,660	**1,565,344**	**61,869**	**4,440,873**

	Within 1 year *RMB'000*	Within 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
31 December 2015				
Trade payables	1,070,249	–	–	1,070,249
Other payables and accruals	283,078	–	–	283,078
Due to other related parties	14,346	–	–	14,346
Interest-bearing bank loans and other borrowings	622,709	2,901,269	89,073	3,613,051
	1,990,382	2,901,269	89,073	4,980,724

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by total equity plus net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

At the end of the year, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of the years are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Interest-bearing bank loans and other borrowings	**3,009,459**	2,998,080
Less: Cash and cash equivalents	**(465,613)**	(430,227)
Net debt	**2,543,846**	2,567,853
Total equity	**1,940,540**	1,910,201
Total equity and net debt	**4,484,386**	4,478,054
Gearing ratio	**57%**	57%

41. EVENTS AFTER THE REPORTING PERIOD

On 24 February 2017, the Company entered into a conditional share purchase agreement with Mr. Loong Ping Tong, Peter ("Mr. Loong"), pursuant to which Mr. Loong has agreed to sell, and the Company has agreed to acquire, the entire equity interest in Mainland Securities Limited at a consideration of HK$18,000,000.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	315
CURRENT ASSETS		
Cash and cash equivalents	**9**	8
Due from subsidiaries	**524,503**	550,614
	524,512	550,622
CURRENT LIABILITIES		
Due to subsidiaries	**8**	25,914
	8	25,914
NET CURRENT ASSET	**524,504**	524,708
TOTAL ASSETS LESS CURRENT LIABILITIES	**524,504**	525,023
NET ASSETS	**524,504**	525,023
EQUITY		
Issued capital	**14,880**	14,891
Reserves	**509,624**	510,132
Total equity	**524,504**	525,023

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

Note:

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

	Share premium *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2015	–	652	652
Issue of shares	517,479	–	517,479
Share issue expenses	(20,121)	–	(20,121)
Profit and total comprehensive income for the year	–	12,122	12,122
At 31 December 2015	497,358	12,774	510,132
Share repurchased	(1,203)	–	(1,203)
Profit and total comprehensive income for the year	–	695	695
At 31 December 2016	496,155	13,469	509,624

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

FIVE-YEARS FINANCIAL SUMMARY

	For the Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**660,049**	1,348,818	2,135,612	810,646	1,045,835
Cost of sales	**(311,259)**	(934,266)	(1,384,347)	(361,364)	(470,944)
Gross profit	**348,790**	414,552	751,265	449,282	574,891
Other income and gains	**5,893**	16,131	2,797	1,996	3,615
Selling and distribution costs	**(94,250)**	(73,392)	(86,847)	(92,043)	(75,383)
Administrative expenses	**(84,791)**	(110,687)	(93,973)	(59,215)	(39,947)
Other expenses	**(28,526)**	(10,557)	(11,249)	(12,411)	(84,204)
Changes in fair value of investment properties	**59,396**	532,303	16,864	186,802	180,459
Finance costs	**(55)**	(1,778)	(3,021)	(4,279)	(1,633)
PROFIT BEFORE TAX	**206,457**	766,572	575,836	470,132	557,798
Income tax expense	**(179,437)**	(274,740)	(264,801)	(218,307)	(300,270)
PROFIT (LOSS) AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**27,020**	491,832	311,035	251,825	257,528
ATTRIBUTABLE TO:					
Owners of the parent	**10,211**	367,622	330,179	262,292	207,772
Non-controlling interests	**16,809**	124,210	(19,144)	(10,467)	49,756
	27,020	491,832	311,035	251,825	257,528
ASSETS AND LIABILITIES					
Non-current assets	**3,165,852**	3,075,952	1,959,087	1,902,353	1,554,818
Current assets	**4,721,338**	4,486,998	3,593,468	4,509,669	3,950,735
Current liabilities	**4,054,876**	2,678,496	3,065,090	4,534,159	3,399,254
Non-current liabilities	**1,891,774**	2,974,253	1,546,565	644,136	1,020,075
Non-controlling interests	**180,385**	162,581	44,884	64,028	42,927
Total equity	**1,940,540**	1,910,201	940,900	1,233,727	1,086,224