China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Annual Report 2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Remuneration Committee

Mr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

Nomination Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Minsheng Bank
Postal Savings Bank of China

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg-group.com

The year 2016 witnessed numerous "black swan" events, marking undoubtedly the beginning of another time of subversions and upheavals after 70 years in the long history of the world. Nowadays, people can easily surf the Internet and go online shopping with a smart phone in hand, so what will happen to Bill Gates, the richest man in the world with a fortune built on PCs, and Intel, the largest wafer manufacturer in the world, owing to the fact that PCs are about to meet their end? Besides, the successful election of Donald Trump was actually the result of the working classes' wrathful resistance to their stagnant life. Therefore, Trump decided to surrender the moral high ground for global democracy and freedom, exit from globalization and share no more benefits with emerging markets like China with the principle of "America First". Moreover, Trump called an end to the world-renowned master of money Milton Friedman's monetary policy of "banknote printing for export", and intended to attract enterprises in China and other emerging markets to invest in America instead with the enterprise income tax at a rate of 15%. What will happen to China then? The answer is that China will face various difficulties self-evidently, but will not be completely unpromising given the following two aspects. On the one hand, from the macro perspective, China's debt has surpassed 270% of its GDP, which has caused inevitable concerns worldwide. However, when looking into such enormous debt, we can find that government debt and household debt account for 48% and 34% of China's GDP, respectively, and yet China has been funding companies with high debts out of its own pocket. On the other hand, China has obviously enjoyed a buffer for the financial turbulence that may outbreak due to the liquidity condition at home and abroad by virtue of the surplus in current account and the strong net asset position. However, we always hope that China, smart as always, will overcome all the obstacles in its way in the year 2017 with its own measures. To think the other way around, I believe that challenges and opportunities coexist in a world full of uncertainties, and keeping cash as king will be the best way out. Given the above, it will be an unbeatable strategy for the Group to spare no efforts to realize gains (a huge sum of cash).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

Looking ahead, the Group would continue to master property development projects, both residential and commercial, with sizable and distinct quality, in prime locations in the People's Republic of China ("PRC"). Our overall objectives are to exploit business opportunities, achieve sales growth, and enhance income as planned.

Key property development projects are as follows:

- *High-end and sizable middle-class residential projects*

  There are both high-end residential and well-located projects for the growing middle-class in both Shanghai and Chongqing. Luxurious design and leading residential projects, characterised by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- *Modern and upscale theme shopping street developments*

  These are modern, well-designed architectural projects situated at prime retail areas in major cities in the PRC which combines retail, residential, entertainment, cultural and recreational users with great accessibility, a focal point with attractions for residential, investment and business operations.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's GDP in 2016 was recorded at RMB74,412.7 billion, representing a 6.7% year-on-year growth.

The overall residential market in China was dynamic in 2016. In response to the market's overheating, over 20 Chinese cities announced cooling measures to curb the residential market from late September to early October in 2016. These measures ranged from demand side policies to supply side initiatives. The Central Economic Working Conference held on 14 December clarified that "houses are for living in, not for speculation". The national government intends to establish a long-term mechanism and give flexibility to individual cities to control housing policies at local level. As a result, tightening measures are expected to remain in place in the coming year.

China's retail sales expanded to RMB33,231.6 billion in 2016, representing a growth of 9.6% year-on-year, according to the National Statistics Bureau. The e-commerce market has been developing rapidly over the past years. In 2016, the national online retail sales of goods & services were RMB5,155.6 billion, increased by 26.2% year-on-year. Of which, the online retail sales of commodities was RMB4,194.4 billion, increased by 25.6%, accounting for 12.6% of the total retail sales of consumer goods. Of the online retail sales of physical goods, food, clothing and daily necessities went up by 28.5%, 18.1% and 28.8% respectively. First-tier cities remained attractive due to large populations, high consumption expenditure and sophistication of both consumers and operators. Rental level of prime retail area of first-tier cities is expected to remain buoyant in 2017. Landlords are likely to look for non-traditional tenants to differentiate their malls. Meanwhile, experience-related retailers, including F&B, will continue to expand.

China's office property market continued to expand in 2016 in most major cities. The new VAT tax structure was expanded to the real estate industry in May, applying a rate of 11% of VAT. Leasing demand from foreign companies was weakened amidst global economic uncertainty. However, demand from domestic companies is expected to remain strong, backed by the rapid development of the tertiary sector. The tertiary industry, in particular the finance, IT & high-tech and professional services sectors, is expected to maintain its relatively strong growth momentum. As a result, these sectors are expected to drive the majority of leasing demand from domestic companies going forward.

Overview of the Shanghai Property Market

Shanghai has maintained a steady economic growth. In 2016, Shanghai's GDP grew by 6.8% year-on-year to RMB2,746.6 billion.

Shanghai's residential property market was dynamic in 2016. Government intervention, in the form of stricter policies towards down payments and higher requirements for buyers not from Shanghai, led to major shifts in buying activity. In November, the Shanghai government raised the minimum down payment for a first home from 30% to 35%. Nonetheless, the market was strong, with demand far outpacing supply, and annual sales recorded at approximately 13.6 million square metres by the end of the year, reaching the second-highest level in the past nine years, after a record high figure in 2015. The average sales price grew by 19.0% year-on-year in 2016 to RMB38,300 per square metre. This rapid growth was attributed to the substantial increase in sales of high-end and luxury properties.

The retail property market of Shanghai was active in 2016, supported by the increasing retail sales of consumer goods, which grew by 7.8% year-on-year. Decentralisation was a major theme in 2016. Six of the seven new projects (90% by GFA) were in non-prime areas such as Qibao and Daning catchment, and these markets accounted for 70% of the city's total retail stock by the end of the year. New demand came from the traditional fashion and F&B sectors, though several new trends in these categories emerged. In the fashion sector, fast fashion continued to be popular while the popularity of casual sportswear was increased rapidly. Retailers that cater to children and their needs were also popular with landlords for their ability to attract footfall from neighbourhood families. Such brands ranged from retailers of children's clothing and toys to retailers that offer activities or education.

Shanghai's office property market was dynamic in 2016. The city's strong tertiary industry, which grew by 9.5% year-on-year in 2016, according to the Shanghai Statistics Bureau, supported demand from a number of industries, though widespread withdrawals from peer-to-peer (P2P) lending companies vacated considerable amount office spaces. Nonetheless, Shanghai's CBD remained attractive to numerous occupiers, including domestic companies, financial and professional companies, co-working space operators, and companies from emerging industries, such as "internet plus".11 New office buildings were completed in 2016, representing the highest full-year supply in five years, and total stock expanded by 7.4% year-on-year. Many landlords offered incentives to attract occupiers, which constrained the annual rental growth rate. As of end-2016, the average rent in CBDs grew by 3.1% year-on-year to RMB10.4 per square metre per day.

Overview of the Chongqing Property Market

Chongqing's GDP was recorded at a growth of 10.7% year-on-year to RMB1,755.9 billion in 2016.

With a series of monetary policies attempting to stimulate the economy and real estate market together with the favorable housing policies, the overall residential market in Chongqing grew steadily. The GFA of residential units sold in 2016 increased 29.6% year-on-year, while the average transacted unit price increased by 9.2% year-on-year to RMB7,266 per square metre. The overall residential market in Chongqing is expected to remain stable, which is supported by positive statistics recorded as well as favourable home policies introduced.

The total retail sales of Chongqing grew by 13.2% to RMB727.1 billion in 2016, highlighting a continuous demand of retail spaces in Chongqing. Landmark projects remained attractive to top tier brands. F&B consumption expanded to quality competition while entertainment sectors expanded with the arrival of creative elements. Culture and arts have been transplanted into retail operation. Many shopping malls have repositioned themselves by actively exploring the consumption patterns of families and young adults due to continuing popularity of online shopping. Introduction of high-quality, child-friendly activity centres and high-tech games are expected in order to make themselves stand out from the competition. Noticeable pipeline in 2017 are International Finance Square and Shin Kong Place.

Chongqing was announced as the site of the new China (Chongqing) Pilot Free Trade Zone, which aims to transform the city into a new financial centre and innovation hub, with the objective of improving the inland economy. The city's plan to further develop into an international business centre has already generated new demand for the office market. Seven Grade A office projects were launched during 2016. At the same time, yearly take-up was nearly three times higher compared to the previous year. Vacancy rate slid 7.5 percentage points year-on-year while average Grade A office rents recorded at an average of RMB90.0 per square metre per month as at end-2016.

Outlook of the Mainland Property Market

China's residential market will continue to focus on inventory absorption in short- to mid-term, with steady growth in prices. Despite tightening measures in the coming year, urbanization would continue to drive up demand and developers would keep looking for reducing inventories. The relaxation of one-child policy would increase the population and eventually lift demand for residential upgrades. In the short term, we expect transaction volumes to go down and prices to correct at a reasonable rate. In the long term, the huge population and ongoing process of urbanisation should underpin firm demand for residential properties in China.

For China's retail property market, in the prime retail area of first-tier cities, the rental level is expected to remain stable given the limited supply and strong demand from domestic and international retailers for both new stores and expansion. Slowing luxury spending, consumers' fast-changing tastes, competition from online retail and consumers' overseas expenditure will continue to be the major challenges. Landlords will engage actively in adjustment and renovation activity to stay competitive. Retailers from the fast fashion, F&B, lifestyle and children's care are expected to actively expand. All in all, the retail landscape in China is anticipated to remain stable with positive actions in place.

China's office property market is expected to remain healthy given the strong demand from domestic companies, backed by the rapid development of the tertiary sector, in particular the finance, IT & high-tech and professional services sectors. The growing need of occupiers for short-term rentals or more flexible expansion plans, as well as the growth of small and medium-sized enterprises and start-ups, will present a new set of opportunities for traditional office landlords in the future. Existing property owners are expected to increase flexible, shared office offerings, leading to more frequent partnerships with co-working space operators in order to capitalise on this trend.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the year amounted to RMB740 million (2015: RMB1,245 million), decreased by 40.6% when compared to 2015. Basic earnings per share were RMB0.41 (2015: RMB0.69).

As at December 31, 2016, the total assets increased to RMB58,479 million from RMB55,841 million in last year. Net assets, the equivalent of shareholders' funds, similarly increased to RMB36,905 million (2015: RMB36,165 million). In terms of value per share, net assets value per share is RMB20.40 at the end of the reporting period, as compared to RMB20.00 as at December 31, 2015. As the Group continues its investment of premium property developments in PRC with attendant appreciation in fair value, there was a RMB1,114 million fair value gain from the current portfolio. However, the approximate 7.0% depreciation of RMB to HK$ has resulted in the recognition of a RMB133 million exchange translation loss reported in this fiscal year.

The Group's revenue of RMB206 million (2015: RMB72 million) increased by 186.1% when compared with last year, and was mainly due to the increase in revenue from sales of properties.

The revenue from sales of properties amounted to RMB198 million (2015: RMB66 million), increased by 200.0% as compared to 2015. The Group sold properties with total gross floor area ("GFA") of approximately 127,000 sq. ft. (2015: 76,000 sq. ft.) in 2016, a 67.1% increase as compared with last year.

Gross profit margin for sales of properties was 66.6% (2015: 66.1%), which remained stable when compared with last year.

Income from property leasing decreased by 4.3% to RMB0.88 million (2015: RMB0.92 million). The decrease was attributable to end of certain leases during the year. Property management income was RMB7 million (2015: RMB5 million).

During the year, the Group generated income of RMB165 million, RMB24 million and RMB9 million from sales of residential properties of Shanghai Concord City Phase I, residential properties and car parking spaces of Chongqing Manhattan City Phase I, residential properties and car parking spaces of Chongqing Manhattan City Phase II respectively.

Deposits received on sales of properties increased to RMB403 million as at December 31, 2016 from RMB71 million as at December 31, 2015. This was primarily due to the increase in deposits received on sales of Shanghai Concord City Phase I and the commencement of pre-sale of residential properties of Chongqing Manhattan City Phase III during the year.

Other income, gains and losses, net were RMB34 million (2015: RMB6 million). The increase was mainly attributable to the gain on disposal of investment properties of Shanghai Cannes car parking spaces.

During the year, selling expenses were RMB22 million (2015: RMB5 million) which increased by 340%. It was resulted from the increase in advertising expenses incurred for pre-sale of residential properties of Shanghai Concord City Phase I and Chongqing Manhattan City Phase III and sales commission which was in line with the change in revenue from sale of properties and deposits received on sales of properties.

Administrative expenses during the year were RMB78 million (2015: RMB61 million) which increased by 27.9%. The increase was mainly attributed to the increase in other tax and related expenses during the year.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank and other borrowings, effective interest of convertible note and the fixed-rate senior notes. Since all finance costs of approximately RMB832 million (2015: RMB718 million) were wholly capitalised on various projects, no finance costs were charged to the profit or loss during the year (2015: nil).

The changes in fair value of investment properties were RMB1,114 million (2015: RMB1,740 million), a decrease of 36.0% when compared to 2015. Although the transaction volume of the property market was shrinking with the launch of new real estate tightening measures in recent years, the property price remained steady during the year because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in 2016 is still appreciating. The changes in fair value of investment properties in Shanghai experienced an increase of RMB1,058 million (2015: RMB1,349 million) which was mainly contributed from valuation appreciation of the project of Shanghai Concord City Phase 2. The changes in fair value of investment properties in Chongqing experienced an increase of RMB56 million (2015: RMB391 million) which was mainly contributed from the valuation appreciation of the projects of Chongqing Concord City and Chongqing Manhattan City.

Income tax expense was RMB307 million (2015: RMB434 million), a decrease of 29.2%. The Group's effective income tax rate was 29.4% (2015: 25.9%). The decrease in income tax expense was due to the drop in the amount of increase in fair value of investment properties for 2016 in comparison to last year.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium-term basis and arranges refinancing of the Group's borrowing when appropriate. During the year, the Group raised new external borrowings totaling of approximately RMB3,019 million (2015: RMB3,542 million); on the other hand, the Group also received advance from a shareholder amounted to RMB234 million (2015: RMB567 million) during the year.

At the end of the reporting period, the Group's senior notes, bank and other borrowings, amount due to a shareholder and debt component of convertible note amounted to RMB1,783 million (2015: RMB1,656 million), RMB5,255 million (2015: RMB4,452 million), RMB1,913 million (2015: RMB1,679 million) and RMB374 million (2015: RMB312 million) respectively, and the Group's total borrowings were RMB9,325 million (2015: RMB8,099 million), an increase of RMB1,226 million when compared to December 31, 2015. RMB3,307 million (2015: RMB3,177 million) is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at December 31, 2016 was 23.2% (2015: 21.6%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged bank deposits) to the shareholders' funds.

With bank balances and cash in hand, banking facilities available and those financing plans, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

There was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

At the end of the reporting period, approximately 75% (2015: 75%) of the Group's borrowings were in RMB. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in RMB and HK$.

The bank borrowings are principally on a floating-rate basis while the other borrowings and senior notes are on a fixed-rate basis.

The functional currency of the respective group entities is RMB, the currency of the primary economic environment in which the Group operates. The presentation currency of the consolidated financial statements in prior financial year was HK$. Having considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of the HK$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance, the Board considers that it is more appropriate to use RMB as its presentation currency for its consolidated financial statements.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

During the year, the Group has complied with all borrowings covenants.

CHARGE ON ASSETS

As at December 31, 2016, the Group pledged assets with an aggregate carrying value of RMB44,828 million (2015: RMB43,150 million) to secure loan facilities utilized.

CONTINGENT LIABILITIES

As at December 31, 2016, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of RMB483 million (2015: RMB797 million). During the year, there was no default case.

Legal disputes

As at December 31, 2016, the Group is subjected to several legal claims with an aggregate amount of approximately RMB55 million (2015: RMB29 million) in relation to disputes under construction contracts in the properties development operation during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB62 million (2015: RMB50 million) and the withdrawal of bank deposits of approximately RMB6 million (2015: RMB3 million) as at December 31, 2016. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making counterclaims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The net financial effect of both claims and counterclaims is considered insignificant.

Based on the advice from the independent legal advisors or internal legal counsel, those outstanding legal claims that are still in preliminary stage and hence the final outcome is unable to be determined at this stage. Accordingly, no provision is required to be made in the consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2016, the Group had 371 employees (2015: 381 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately RMB35 million (2015: RMB37 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Wang Shih Chang, George, aged 83

Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the nomination committee and the member of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the United States of America. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 67

Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed).

Xu Li Chang (徐禮昌), aged 77

Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 67
Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. He is also a Director of HK Electric. He is President of Morrison & Company Limited, a business consultancy firm. Mr. Kwan is also the chairman of the board of Utopa Limited, a commercial property company in the People's Republic of China. Mr. Kwan worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is an Independent Non-executive Director of Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust), United Photovoltaics Group Limited, Win Hanverky Holdings Limited, Dynagreen Environmental Protection Group Co., Ltd. and CK Life Sciences, all being listed companies (except Sunlight Real Estate Investment Trust being a listed real estate investment trust). He was previously an Independent Non-executive Director of Galaxy Resources Limited, a listed company. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a fellow of the HKICPA, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors Limited. He completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 77
Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee and the member of the nomination committee of the Company. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a Fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, is a non-executive director of Brockman Mining Limited, a mining company listed in Hong Kong and Australia, and is non-executive chairman of Gondwana Resources Limited, an Australian-listed mining company.

Luk Koon Hoo (陸觀豪), aged 65
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of Computime Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited, shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Wheelock Properties Limited and Octopus Holdings Limited, an non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of Town Planning Board, a member of Witness Protection Review Board Panel and a non-official member of the Operations Review Committee of ICAC. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 67
Dr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is a member of the audit committee and Chairman of the remuneration committee of the Company.

He is a Fellow of the Australian Institute of Company Directors (AICD) and the Hong Kong Institute of Directors. He chairs the AICD Executive Committee in Hong Kong. He is an experienced company director in public listed, unlisted and not for profit companies in Australia, London and Hong Kong for over 13 years. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (known as "The Securities Institute of Australia") in 1995 and a Graduate Diploma Company Director from the University of New England in 1992. He also attended the INSEAD Asia International Executive Programme in 2004.

Mr. Willinge had served as director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. He was a director, Information Technology, for the Sydney Olympic Games 2000. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector.

He also serves as an Adjunct Professor of Business Studies at Curtin University in Australia. He received the Honorary Degree of Doctor of Technology from Curtin University in February 2014.

Cheng Chaun Kwan, Michael (鄭燦焜), aged 86
Mr. Cheng was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the nomination committee of the Company. Mr. Cheng is a retired property investment and development, corporate finance and accounting consultant. Mr. Cheng was the executive director of Sino Land Company Ltd., a company of which shares are listed on the Main Board of the Hong Kong Stock Exchange in 1987 and retired as director at the end of 1998. Prior to that, Mr. Cheng was the executive director of Henderson Investment Ltd., (formerly Wing Tai Development Co. Ltd.), a company of which shares are also listed on the Main Board of the Hong Kong Stock Exchange, for the period from 1981 to 1987. Mr. Cheng was the chief executive responsible for the listing of Sino Hotels (Holdings) Limited in 1995 on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng is a Fellow of the Association of Chartered Certified Accountants in the U.K.

Wu Zhi Gao (吳志高), aged 72
Mr. Wu was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee of the Company. Mr. Wu is a retired lecturer and property development consultant. He holds a Bachelor Degree in Mathematics from Fudan University, Shanghai. Prior to joining the Group, he held senior academic positions at the Huadong University (華東師範大學) and Shanghai Education Institute (上海教育學院) and focused on teaching marketing, which included researches on sales and marketing of property development projects. Between 1998 to 2004, Mr. Wu served as the vice principal at the Huadong University. During that period, he also assisted in the development of a residential property project for the Huadong University. For the period from 1996 to 1997, Mr. Wu also served as a vice president for Shanghai Pingan Xinlun Property Development Co. Ltd. (上海平安欣侖物業發展有限公司), a company providing construction, leasing and sales of office premises, as well as property management services, to the Shanghai Education Institute.

The Executive Directors of the Company are also the Senior Management of the Group.

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, a successful business growth, balancing of business risk and enhancing of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout 2016 and up to the date of this report, the Company has fully complied with all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises nine members with three executive directors, one non-executive director and five independent non-executive directors (the "INEDs"). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2016 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Company has received from each INED a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Except Mr. Wu Zhi Gao who has informed the Board that he wishes to retire as a Director by the time of the forthcoming annual general meeting, all directors (including non-executive director) of the Company are currently appointed with specific terms for 2 years commencing from February 23, 2017, which are also subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Xu Li Chang, Mr. Garry Alides Willinge and Mr. Wu Zhi Gao will retire by rotation. Mr. Wu Zhi Gao has informed the Board that he wishes to retire as a Director by the time of the annual general meeting. Accordingly, Mr. Wu Zhi Gao, Mr. Xu Li Chang and Mr. Garry Alides Willinge will retire by rotation at the annual general meeting. Mr. Xu Li Chang and Mr. Garry Alides Willinge being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company's circular contains detailed information of the directors standing for re-election.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board aims to meet in person or by means of electronic communication, at least 4 times a year, if necessary, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committees and Nomination Committee during the year ended December 31, 2016 is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2016 Annual Report.

Meeting attendance during the year ended December 31, 2016 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Dr. Wang Shih Chang, George	4/4	N/A	2/2	2/2
Mr. Wong Sai Chung	4/4	N/A	N/A	N/A
Mr. Xu Li Chang	2/4	N/A	N/A	N/A
Mr. Kwan Kai Cheong	4/4	2/2	N/A	N/A
Mr. Warren Talbot Beckwith	4/4	2/2	N/A	2/2
Mr. Cheng Chaun Kwan, Michael	4/4	2/2	N/A	2/2
Mr. Luk Koon Hoo	4/4	2/2	2/2	N/A
Mr. Garry Alides Willinge	4/4	2/2	2/2	N/A
Mr. Wu Zhi Gao	4/4	2/2	N/A	N/A

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

The Company established an Audit Committee comprising 5 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statements and report, and to consider any significant or unusual items raised by the corporate accounting department or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including anti-fraud) and risk management system and associated procedures.

During the year ended December 31, 2016, the Audit Committee met twice to review the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast) and compliance procedures, to review the effectiveness based on report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results and continuing connected transactions for the year ended December 31, 2016 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Mr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Garry Willinge is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2016 and up to the date of this report, the Remuneration Committee met on March 29, 2016 and August 29, 2016 to review the remuneration packages of directors and the compensation arrangements relating to dismissal or removal of directors for misconduct.

The remuneration of the directors for the year ended December 31, 2016 was set out in note 10 to the consolidated financial statements.

The Nomination Committee

Composition of the Nomination Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chuan Kwan, Michael

The Company established a Nomination Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee include the following:

(a) To formulate the policy for the nomination of directors in compliance with the requirements of the Listing Rules including but not limited to the following for consideration by the Board and implement the nomination policy laid down by the Board:

  (i) all directors shall be subject to re-election at regular intervals as set out in the articles of association of the Company (as amended from time to time);

  (ii) the Company must comply with the disclosure requirements in relation to the appointment, resignation or removal of directors under the Listing Rules;

  (iii) non-executive directors should be appointed for a specific term, subject to re-election and the term of appointment of the non-executive directors must be disclosed in the Corporate Governance Report under the Listing Rules;

  (iv) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

During the year ended December 31, 2016 and up to the date of this report, the Nomination Committee met on March 29, 2016 and August 29, 2016 to review the structure, size and composition of the board of directors and the existing terms of reference for Nomination Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2016 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while Management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended December 31, 2016, the Company has identified, evaluated and managed significant risks via the following process:

- reviewing the organizational and strategic objectives;
- assessing the risk management philosophy to determine the risk tolerant level of the Group; and
- performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as specified in Appendix 10 of the Listing Rules (Model Code) and received confirmation from all directors that they have complied with the Model Code throughout the period under review.

Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended December 31, 2016. The review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

- promote consistent risk identification, measurement, reporting and mitigation;
- set a common risk language to avoid any conflicting terminology or confusion in risk reporting;
- develop and communicate policies on risk management and controls aligned with the business strategy; and
- enhance reporting to provide transparency of risks across the Group.

During the review, the Company conducted the following procedures:

- interviewing with department head and management to identify the risks over the Company business units;
- quantifying the risks by financial data and market searches; and
- prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Internal Audit Function

During the year ended December 31, 2016, the Company had appointed an internal control advisor (the “IC Advisor”) to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and to the Company’s management. Based on the Company’s risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the year ended December 31, 2016. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

Management’s report on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had reported to the Board that the Group had maintained an effective risk management mechanism and internal control system during the year ended December 31, 2016.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2016.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 39 to 43.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Group in respect of audit services and non-audit services for the year ended December 31, 2016 are set out below:

	Year ended December 31, 2016 RMB'000
Services rendered	
— Audit services	2,850
— Non-audit services	—
	2,850

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board (also chairman of the Nomination Committee for the time being) as well as chairmans of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2016 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

During the year ended December 31, 2016 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Beijing Concord Option and the General Option (collectively the "Options")

During the year ended December 31, 2016 and up to the date of this report, no options for the acquisition of the properties under the Beijing Concord Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Concord Option and the General Option and decided that it is not the appropriate time for the Company to exercise these options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

The Beijing Cannes Option previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Beijing Cannes site. Please refer to the Company's announcement dated February 7, 2013 for further details.

The General Option in respect of the Zhuhai Property previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Zhuhai Property. Please refer to the Company's announcement dated September 21, 2011 for further details.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2016 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under Options.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a successful property developer, we create a strong business performance by developing both residential and commercial projects. While striving to create economic values to the Group and the shareholders, the Board also realizes the increasing awareness of Environmental, Social and Governance ("ESG") issues from the stakeholders, and considers maintaining customer satisfaction and creating a pleasant and ethical workplace are of the high priorities. By taking up the corporate social responsibility ("CSR"), we hope to create sustainable and mutual benefits to the Group and all stakeholders.

To share our CSR efforts with stakeholders, we are pleased to publish our first ESG report covering the year from January 1, 2016 to December 31, 2016, with a focus on Shanghai Jingan Concord Real Estate Co., Ltd. and Chongqing Ace Blossom Real Estate Co., Ltd. This ESG report was prepared in accordance with Appendix 27 of the Rules Governing the listing of Securities, Hong Kong Exchanges and Clearing Limited ("HKEx"), as well as solely reference to the General Disclosures.

As ESG reporting has become more significant in the business operations, the relevant issues have already been drawn into discussion in the Board meetings. We hope to continuously share our ESG performance and the growth of sustainability practices of the Group with all stakeholders. For any feedback on our first ESG report, please email us at esg@cpg-group.com.

OUR WORKPLACE

Employees are the key to our success. To create a pleasant workplace for our employees that our people feel positive and motivated, we have implemented various practices such as support for staff development and foster professionalism.

Motivating Workplace

Creating a motivating workplace is the key of staff retention, we are devoted to motivating our employees through providing attractive pay and benefits, as well as training and development.

To safeguard the benefits of our people and treat them fairly, policies and procedures are established in accordance with relevant laws and regulations. The basic salary, working hours, holidays, social welfare insurance and other benefits are clearly written in the labour contract which employees must be signed voluntarily before employment. Termination of labour contract shall comply with relevant laws and corresponding compensations are provided where applicable. We also have a performance-based award system which is designed to reflect our talent efforts and contribution. Based on their job performance and contribution to the Group, our staff are subject to monetary incentives and/or promotion.

We fully support employees to advance their job skills so that they have the competencies to complete tasks accurately and achieve job satisfaction. Focusing on business ethics and skills development, a comprehensive training system is developed to ensure each employee receives proper training. Our internal training enables employees to understand the corporate culture and job responsibilities, and eligible employees can receive extended training through professional institutions. We also actively encourage them to have self-directed learning in spare time.

Ethical Workplace

We continue to uphold integrity in all of our business activities. With the ethical guidelines in the Human Resources Handbook, our expectations on employees are set out to ensure professional and ethical behaviors. Training is also provided to ensure our employees are fully aware of our expectations. In the property development industry, bribery could occur in situations such as tendering, selecting suppliers and contractors, and inspecting the quality of construction materials. To prevent corruption and bribery, we prohibit acceptance of advantages such as gifts and entertainment from our business partners. In addition, to secure trade secrets and other sensitive information, we have strict guidelines for our people and establish a committee for handling all the privacy matters. Monitoring is conducted to ensure employees are conforming to these guidelines and identify any suspicious activity, in case of any non-compliance, we will take prompt actions for disciplinary procedures and may send the persons to regulatory authorities.

Maintaining a fair and equitable environment at work is also essential. We encourage mutual respect between management, subordinates, and co-workers and strictly prohibit harassment and victimization. When it comes to recruitment, we adhere to an open and fair selection process in which only the best candidate for the job can be appointed.

We expect our employees to follow the Group's principles to create a happy working environment together, open communication are encouraged between our people and their supervisors to report any unethical behaviours at the workplace.

Healthy and Safe Workplace

To provide a healthy and safe working environment for our employees, we have established a safety operating procedure aiming at preventing and reducing injuries and losses to our people and properties. Through regular safety training, we cultivate safety culture at the workplace where our employees are aware of potential hazards and understand the best way to cope with emergencies. In addition, we put a strong value to work-life balance and have organized various employee activities to build a cohesive workforce in 2016, such as celebration of the Chinese New Year.

Green Workplace

We are committed to integrating green practices in office and bringing minimal impacts to the environment. Paper is essential in our office operations, so we always encourage employees to reuse paper and double-sided printing. We also constantly remind our employees to reduce unnecessary energy and water consumption such as switching off computers when they are not in use.

OUR CUSTOMERS

To provide quality products and services to our customers, on one hand, we manage our supply chain to ensure quality properties can be delivered within timeline. On the other hand, we focus on delivering high-quality service and safeguarding our customers.

Managing Our Supply Chain

With our supply chain network involving numerous suppliers and contractors, careful selection of whom we cooperate with is essential to maintain the quality of our products and services.

When choosing suppliers, we have a comprehensive process to assess the qualification and abilities in delivering quality products/services. Especially for building material suppliers, they are required to fill in a designated assessment form to ensure the building materials are national qualified and meet the technical requirements.

For contractors, the tendering process is developed in accordance with relevant laws and regulations and the tender decision is made in a fair and equitable manner. Apart from the cost plan and technical capabilities, we also place concern on whether our contractors can fulfil the requirements of all our safety and environmental standards at the construction sites. To prevent serious safety incident at construction sites, we have developed the construction safety guideline which clearly stated the responsibilities of contractors, as well as outlined the safe work procedures and inspection procedures. Safety posters are displayed on site and personal protection equipment; for example, hardhat must be worn. Contractors are required to carry out daily inspection at their site and report to our safety working group regularly. We also conduct site audit constantly to assess the safety performance of the construction sites and ensure safety measures are well implemented. For the environmental issues in construction sites, we require contractors to, whenever necessary, implement mitigation measures as stipulated in relevant environmental laws and regulations.

Safeguarding Our Customers

During the sales of properties, we adhere to local regulations to ensure transparent and accurate information is provided and the advertisements do not mislead customers. It is also our responsibility to make sure our properties are safe to live in. We have set of rules in managing the safety of our properties, by putting emphasis on three areas: personal, property and fire, we are able to build trust with our customers through protecting their lives and properties.

Personal	• Prevent crimes in the properties through regular inspections and closed circuit television ("CCTV") surveillance.
Property	• Implement security system and keep track on the situations within the properties by on-site security guards to ensure safe operation.
Fire	• Keep fire equipment in good condition, conduct regular fire alarm system testing and fire drills.

While we strive to protect our residents, it is essential for them to be aware of the types of emergencies and accidents, such as fire, flood and theft, that they could face and understand how to respond in situations that endanger their lives and damage the property. Therefore, we have prepared a set of guidelines and conduct drills on a regular basis to minimize the impact caused during the time of crisis.

We make every effort to understand our customers and enhance their satisfaction. A complaint-handling procedure is set up to handle and resolve customers' inquiries in a timely manner. The complaint process is well documented so that we can effectively identify our weaknesses and continuously improve our services.

OUR PROPERTIES

Developing sustainable buildings that harmonize with the community and environment is what we pursue.

Harmonizing With the Environment

We develop our properties carefully not only to comply with related environmental laws and regulations, but also to minimize impacts to the environment. Our strategy starts at the early stage of the development projects. Prior to the construction of the projects, we conduct environmental impact assessment to identify the potential impacts of the projects during construction and operational phases, and formulate adequate mitigation measures to manage the issues. To ensure the construction does not create adverse impact to the environment, we require our construction contractors to strictly comply with all the environmental laws and regulations and implement the mitigation measures, such as suppressing fugitive dust, treating wastewater before discharged, and sorting and clearing construction waste.

During the design phase of the projects, we always look for opportunities to incorporate green measures in our buildings. We pay attention on greening the properties which helps not only improving air quality and reducing greenhouse gas ("GHG") emissions, but also mitigating the landscape and visual impacts to harmonize with surrounding areas. We incorporate energy-efficient designs, such as external wall insulation for interior heat trapping and use of LED light fixtures for electricity saving. We also place consideration on the construction materials use, such as durability and toxicity, in our designs.

Harmonizing With the Community

We aim at creating properties that cause less disturbance and create values to the local communities. When designing a project, we pay respects to the local historical and cultural heritage buildings, and strive to minimize the impacts to the heritage buildings. For instance, in our Shanghai Concord City project, emphasis was in place on blending into the surroundings — the Shanghai Concord City and its surroundings altogether created a visual landscape where the modern and traditional coexisted harmoniously in the local community. In addition, we also preserved a heritage building within the project boundary and incorporated it as part of the project structure.

Barrier-free access is another focus in the design of our properties. We are particularly concerned with the accessibility of the handicapped. Disabled friendly facilities, such as wheelchair ramps, passenger lifts, escalators and stairs are incorporated into the design.

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures		Policy/Procedure	Reference Section
A. Environment			
A1 Emission	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	We follow the procedures stipulated in the environmental impact assessment	Our Properties — Harmonizing With the Environment
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Office equipment and stationery management system	Our Workplace — Green Workplace
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	We follow the procedures stipulated in the environmental impact assessment	Our Properties — Harmonizing With the Environment
B. Social			
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Human resources handbook	Our Workplace
B2 Health and Safety	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Safety operating procedure	Our Workplace — Healthy & Safe Workplace

HKEx ESG Reporting Guide General Disclosures		Policy/Procedure	Reference Section
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Human resources handbook	Our Workplace — Motivating Workplace
B4 Labour Standard	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labor.	Human resources handbook	Workplace — Ethical Workplace
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supplier assessment system Tendering procedure Construction safety guideline	Our Customers — Managing Our Supply Chain
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Property safety management rule Customer complaint procedure	Our Customers
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Anti-corruption and anti-bribery management policy	Our Workplace — Ethical Workplace
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	We are under the consideration of setting up policy on community engagement	Properties — Harmonizing With the Community

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 10 of this annual report. This discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated statement of profit or loss amounted to RMB1,114,147,000.

During the year, the addition of investment properties under construction of the Group amounted to approximately RMB641,309,000.

Details of these and other movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 13 and 15 to the consolidated financial statements, respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five years ended December 31, 2016 is set out on page 128.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 129 to 130.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2016 are set out in the consolidated statement of changes in equity on page 47.

SHARE CAPITAL

Details of the movements in Company's share capital during the year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2016 were as follows:

	RMB'000
Share premium	**7,967,070**
Accumulated losses	**(2,272,673)**
	5,694,397

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible property developer, we understand our responsibility is not limited to the development of facilities and buildings to meet customers' needs, also to create a better environment for everyone. In the development projects, green designs are incorporated in the buildings, we also manage our construction contractors to ensure all relevant environmental laws and regulations are met and mitigation measures are implemented. To raise employees' awareness and create a greener workplace, our employees are encouraged to conserve resources use, such as double-sided printing and switching off computers when not in use.

For more details, please refer to the "Environmental, Social and Governance Report" section.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers, suppliers and contractors:

Employees:	Recognizing the importance of our employees, we strive to create a good workplace that our employees are happy and motivated to work in. Our employees are treated fairly with respect; we provide reasonable remuneration packages, foster employees' development and protect employees from discrimination and workplace hazards.
Customers:	To offer our customers with a better experience, we provide them with greater convenience through connecting the properties with extensive transport network. The product quality is maintained by strictly managing the construction contractors. Security and fire safety systems are in place to ensure safe operations of our properties. We also set up a complaint-handling procedure to obtain customer views and continue enhance customer satisfaction.
Suppliers and Contractors:	We have comprehensive selection and tendering processes for our suppliers and contractors to ensure that they have the capabilities to deliver quality services and products. Meanwhile, we require contractors to fulfil the requirements of all our safety and environmental standards in order that the people work safely at our construction sites.

For more details, please refer to the "Environmental, Social and Governance Report" section.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive director:
Mr. Kwan Kai Cheong

Independent non-executive directors:
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Details of the directors' and senior management's biographies have been set out on pages 11 to 14.

Except Mr. Wu Zhi Gao who has informed the Board that he wishes to retire as a Director by the time of the forthcoming annual general meeting, each of the executive directors has entered into a service agreement with the Company for another term of two years commencing February 23, 2017.

In accordance with article 87 of the Company's Articles of Association, Mr. Xu Li Chang, Mr. Garry Alides Willinge and Mr. Wu Zhi Gao will retire by rotation. Mr. Wu Zhi Gao has informed the Board that he wishes to retire as a Director by the time of the annual general meeting. Accordingly, Mr. Wu Zhi Gao, Mr. Xu Li Chang and Mr. Garry Alides Willinge will retire by rotation at the annual general meeting. Mr. Xu Li Chang and Mr. Garry Alides Willinge being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2016, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at December 31, 2016, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,563,411,570 shares	86.42%	(i) & (ii)
Mr. Cheng Chaun Kwan, Michael ("Mr. Cheng")	Personal & family	1,000,000 shares	0.06%	(iii)

Notes:

(i) Of these shareholding interests, 1,356,800,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

(ii) Such shareholding interests also included deemed interests in 206,611,570 shares of the Company to be issued upon the exercise of the conversion rights under the convertible note of HK$500 million of the Company agreed to be subscribed for by Hillwealth pursuant to the conditional subscription agreement dated January 27, 2012 entered into between the Company and Hillwealth (as amended by a supplemental agreement dated February 21, 2012).

(iii) Of these shareholding interests, 500,000 shares are directly held by Mr. Cheng and 500,000 shares are held by Mr. Cheng's spouse.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(iv)
	Personal	Hillwealth	1 share of US$1.00	100%	(v)

Notes:

(iv) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(v) As Hillwealth directly holds approximately 74.62% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2016, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

(c) Long positions in debentures of the Company

As at December 31, 2016, the long position in debentures of the Company of the directors and chief executives are as follows:

Name of director	Nature of interest	Amount of Debentures
Mr. Cheng	Family	US$200,000

Save as disclosed herein, as at December 31, 2016, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements.

On January 17, 2011, 20,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees 1"), subject to acceptance of each of the Grantees 1, under the share option scheme adopted by the Company on February 2, 2007. The 20,000,000 share options were lapsed on March 22, 2013.

On July 3, 2013, 36,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees 2"), subject to acceptance of each of the Grantees 2, under the share option scheme adopted by the Company on February 2, 2007. The 36,000,000 share options were lapsed on July 3, 2015.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 33 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 34 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2016 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2016, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

Continuing connected transaction

Office rental and other charges

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between Marnav Holdings Limited (an independent third party) of one part, and Frank Union Limited ("Frank Union") (an associate of Mr. Wong) and the Group of the other part. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011. The Tenancy Agreement was renewed on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014 and a new agreement is entered which is effective from August 1, 2014 to July 31, 2017.

A sharing agreement dated July 31, 2008 and subsequently renewed on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014 and a new agreement which is effective from August 1, 2014 to July 31, 2017 (the "Sharing Agreement") was entered into between Frank Union and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the Tenancy Agreement and Sharing Agreement proportional to the area used; and (ii) the rent and service fee are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers, the Directors consider the terms of the Tenancy Agreement and Sharing Agreement to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The Directors are of the view that the transactions under the Tenancy Agreement and Sharing Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, a total amount of RMB3,336,000 was paid for the office rental and office premises expenses in relation to the use of the principal place of business of the Company in Hong Kong.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the prospectus dated February 9, 2007 issued by the Company ("Prospectus").

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2016 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 43.2% and 62.5% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2016, the Group had 371 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately RMB35 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 24.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 30, 2017

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 44 to 127, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

KEY AUDIT MATTERS — continued

Key audit matters	How our audit addressed the key audit matters
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgment associated with determining the fair value. The carrying value of the Group's investment properties amounted to approximately RMB51,458,045,000 and the fair value changes recorded in profit for the year in respect of investment properties was approximately RMB1,114,147,000 as at December 31, 2016. The Group's investment properties comprise offices, carparks, and commercial buildings. The valuation is carried out by an independent professional valuer (the "Valuer"). As disclosed in note 15 to the consolidated financial statements, for completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation.	Our procedures in relation to the valuation of investment properties included: • obtaining valuation reports of the Group's investment properties performed by the Valuer from the management; • assessing the qualification, objectivity and experience of the Valuer; • evaluating the methodologies and assumptions, such as discount rates, reversionary rates and market rents, adopted in the valuation models based on our knowledge of the real estate industry; and • checking input data used in the valuation of the Group's investment properties, on a sample basis including rental income, tenancy schedules, capital expenditure details, acquisition cost schedules and development plan, on a sample basis, against appropriate supporting documents.

KEY AUDIT MATTERS — continued

Key audit matters	How our audit addressed the key audit matters
Provision for legal disputes and disclosure of contingent liabilities under construction contracts	
We identified provision for legal disputes and disclosure of contingent liabilities under construction contracts as a key audit matter due to the involvement of estimation and significant judgment by the management in determining the adequacy of provision. As at December 31, 2016, the Group was the subject of several legal claims mainly in relation to disputes related to its various property construction projects. Where necessary, the management has engaged independent legal advisors to address the potential exposures arisen from these legal proceedings. For the exposures where no provision has been made, the obligation to disclose the nature and estimation of contingent liabilities and possible financial impact also requires management's judgment in determining the appropriate disclosure in the consolidated financial statements. The relevant provision and contingent liabilities are disclosed in note 27 to the consolidated financial statements.	Our procedures in relation to provision for legal disputes and disclosure of contingent liabilities under construction contracts included: • reading related construction contracts, external and internal quantity surveyor reports and correspondence with contractors; • reading the analysis prepared by the Group's internal legal counsel and legal opinions issued by the independent legal advisors engaged by the Group, to evaluate the appropriateness of provision made for those cases; and • assessing the adequacy of the Group's disclosures in respect of its contingent liabilities and the provision for legal disputes set out in note 27 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Group are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Tsang Yiu Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	NOTES	**2016** **RMB'000**	2015 RMB'000 (restated)
Revenue	6	**206,217**	71,704
Cost of sales		**(77,605)**	(32,551)
Gross profit		**128,612**	39,153
Other income, gains and losses, net	6	**33,745**	5,872
Net exchange loss		**(133,107)**	(62,291)
Selling expenses		**(21,914)**	(4,620)
Administrative expenses		**(78,464)**	(61,065)
Finance costs	7	**—**	—
Loss from operation before changes in fair value of investment properties and conversion option derivative		**(71,128)**	(82,951)
Changes in fair value of investment properties		**1,114,147**	1,740,121
Changes in fair value of conversion option derivative	24	**4,064**	22,021
Profit before tax		**1,047,083**	1,679,191
Income tax expense	8	**(307,499)**	(434,230)
Profit and total comprehensive income for the year attributable to owners of the Company	9	**739,584**	1,244,961
Earnings per share			
— Basic (RMB)	12	**0.41**	0.69
— Diluted (RMB)	12	**0.36**	0.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	NOTES	**December 31, 2016 RMB'000**	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000 (restated)
Non-current Assets				
Property, plant and equipment	13	**350,030**	311,631	271,986
Prepaid lease payments	14	**95,892**	98,604	101,753
Investment properties	15	**51,458,045**	49,758,309	47,433,397
		51,903,967	50,168,544	47,807,136
Current Assets				
Properties under development for sales	16	**5,155,483**	4,877,607	4,438,966
Properties held for sales	17	**467,793**	349,153	372,922
Trade and other receivables, deposits and prepayments	18	**199,256**	132,397	117,786
Pledged bank deposits	19	**278,517**	130,530	102,475
Bank balances and cash	19	**474,306**	183,004	503,016
		6,575,355	5,672,691	5,535,165
Current Liabilities				
Deposits received for sales of properties	20	**402,739**	70,644	39,389
Construction costs accruals		**207,928**	214,390	259,708
Other payables and accruals		**180,883**	120,708	139,714
Amount due to a shareholder	21	**1,912,761**	1,678,617	1,112,009
Tax payable		**680,241**	660,171	663,860
Borrowings — due within one year	22	**1,395,171**	1,501,939	1,847,175
		4,779,723	4,246,469	4,061,855
Net Current Assets		**1,795,632**	1,426,222	1,473,310
Total Assets Less Current Liabilities		**53,699,599**	51,594,766	49,280,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	NOTES	**December 31, 2016 RMB'000**	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000 (restated)
Non-current Liabilities				
Borrowings — due after one year	22	**3,860,000**	2,950,000	2,424,250
13.5% fixed-rate senior notes, non-current portion	23	**1,732,822**	1,609,131	1,526,835
Convertible note, non-current portion	24	**365,789**	303,816	259,749
Conversion option derivative	24	**59,297**	59,363	78,356
Deferred tax liabilities	25	**10,776,772**	10,507,121	10,073,291
		16,794,680	15,429,431	14,362,481
Net Assets		**36,904,919**	36,165,335	34,917,965
Capital and Reserves				
Share capital	26	**170,073**	170,073	170,073
Share premium and reserves		**36,734,846**	35,995,262	34,747,892
Total Equity		**36,904,919**	36,165,335	34,917,965

The consolidated financial statements on pages 44 to 127 were approved and authorised for issue by the board of directors on March 30, 2017 and are signed on its behalf by:

Dr. Wang Shih Chang, George
DIRECTOR

Wong Sai Chung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Revaluation reserve**	**Special reserve**	**Other reserve**	**General reserve**	**Shareholder contribution reserve**	**Share option reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Note a)	(Note b)	(Note c)	(Note d)	(Note 33)		
At January 1, 2015 (restated) (Note e)	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	7,203	29,911,737	34,917,965
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	—	1,244,961	1,244,961
Recognition of share-based payment expenses	—	—	—	—	—	—	—	2,409	—	2,409
Lapse of vested share options	—	—	—	—	—	—	—	(9,612)	9,612	—
At December 31, 2015 (restated)	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	—	31,166,310	36,165,335
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	—	739,584	739,584
At December 31, 2016	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	—	31,905,894	36,904,919

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the Group structure prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from the loan from a shareholder, Mr. Wong.

(e) The opening balance has been translated from Hong Kong dollars ("HK$") to Renminbi ("RMB") as the directors of the Company determined to change the presentation currency of the consolidated financial statements starting from the year ended December 31, 2016. Details as disclosed in note 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	2016 RMB'000	2015 RMB'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	**1,047,083**	1,679,191
Adjustments for:		
Amortisation of prepaid lease payments	**44**	44
Depreciation of property, plant and equipment	**1,605**	1,673
Share-based payment expenses	**—**	2,409
Changes in fair value of investment properties	**(1,114,147)**	(1,740,121)
Changes in fair value of conversion option derivative	**(4,064)**	(22,021)
Interest income	**(4,144)**	(7,501)
(Gain) loss on disposal of investment properties	**(28,772)**	2,026
Loss on disposal of property, plant and equipment	**22**	—
Unrealised exchange loss, net	**144,439**	91,297
Operating cash flows before movements in working capital	**42,066**	6,997
Increase in properties under development for sales	**(185,191)**	(215,559)
Decrease in properties held for sales	**41,860**	17,529
Increase in trade and other receivables, deposits and prepayments	**(50,489)**	(12,083)
Increase in deposits received for sales of properties	**332,095**	31,255
Decrease in construction costs accruals	**(6,462)**	(45,318)
Increase (decrease) in other payables and accruals	**60,118**	(19,006)
Cash from (used in) operations	**233,997**	(236,185)
PRC taxes paid	**(29,852)**	(6,618)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**204,145**	(242,803)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,956)**	(6,457)
Additions to investment properties	**(67,315)**	(125,899)
Proceeds received from disposal of investment properties	**36,712**	8,593
Withdrawal of pledged bank deposits	**30,530**	282,089
Placement of pledged bank deposits	**(178,517)**	(310,146)
Interest received	**4,144**	7,501
NET CASH USED IN INVESTING ACTIVITIES	**(177,402)**	(144,319)

	2016 RMB'000	2015 RMB'000 (restated)
FINANCING ACTIVITIES		
New borrowings raised	**3,019,488**	3,541,928
Repayments of borrowings	**(2,255,076)**	(3,412,175)
Advance from a shareholder	**234,142**	566,608
Interest paid	**(733,995)**	(629,251)
NET CASH FROM FINANCING ACTIVITIES	**264,559**	67,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**291,302**	(320,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**183,004**	503,016
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**474,306**	183,004

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Wong, who is also the Managing Director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 35.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as of December 31, 2016, the Group has borrowings with carrying amounts of RMB1,395,171,000 which is due to be repaid within one year from the end of the reporting period and the Group had other commitments contracted for but not provided in the consolidated financial statements of approximately RMB1,100,543,000 as stated in note 28.

The directors of the Company closely monitor the liquidity of the Group having taken into account of:

(1) the availability of the Group's credit facilities. Unutilised credit facility of the Group as at December 31, 2016 is RMB1,739,786,000;

(2) the confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him of approximately RMB1,912,761,000 until the Group has excess cash to repay; and

(3) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular the consideration of the upcoming plan for sales of its properties held for sales and pre-sale of properties under development for sales.

The directors of the Company consider that after taking into account the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Change in presentation currency of the consolidated financial statements

The functional currency of the Company and the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. The presentation currency of the consolidated financial statements in prior financial year was Hong Kong dollars ("HK$"). Having considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of the HK$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance, the Board considers that it is more appropriate to use RMB as its presentation currency for its consolidated financial statements.

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS — continued

Change in presentation currency of the consolidated financial statements — continued

The change in presentation currency of the consolidated financial statements has been applied retrospectively in accordance with Hong Kong Accounting Standard ("HKAS") 8 "Accounting policies, changes in accounting estimates and errors", and the comparative figures in the consolidated statements of financial position as at January 1, 2015 and December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2015 have also been re-presented in RMB accordingly. The Group has also presented the consolidated statement of financial position as at January 1, 2015.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

Except as described below, the application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — continued

Amendments to HKAS 1 "Disclosure Initiative" — continued

The ordering of notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and position. Specifically, information to capital risk management was reordered to note 29 and financial instrument to note 30. Other than certain presentation and disclosure changes on re-ordering of notes and information on financial risk management as a results of adoption of HKAS 1, the adoption does not have any significant impact on the financial performance and financial position of the Group.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[5]

1 Effective for annual periods beginning on or after January 1, 2017.
2 Effective for annual periods beginning on or after January 1, 2018.
3 Effective for annual periods beginning on or after January 1, 2019.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — continued

HKFRS 9 "Financial instruments" — continued

In the opinion of the directors of the Company, the application of HKFRS 9 may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

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

The application of HKFRS 15 is not expected to have a material impact on the timing and amounts of revenue recognised in respect of the Group's sales of properties during the year ended December 31, 2016. However the application of HKFRS 15 in the future may have an impact should the Group's contracts with customers in respect of sales of properties involve other additional terms and conditions. In addition, the Directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — continued

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments as operating cash flow. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of approximately RMB2,023,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group complete a detailed review.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

Revenue recognition

Revenue is measured at the fair value at consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Revenue recognition — continued

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, and the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectibility of related receivables is reasonably assumed. Deposits and instalments received from purchasers for pre-sale of properties prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Property, plant and equipment — continued

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Investment properties — continued

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfer from investment properties to properties under development for sales

The Group transfers a property from investment properties to properties under development for sales when, and only when, there is a change in use, which is evidenced by the commencement of development with a view to sale. The properties deemed cost for subsequent accounting shall be the fair value of the properties at the date of change in use.

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sales.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realisable value. Cost includes the cost of land, development costs attributable to the properties held for sale, other costs that have been incurred in bringing the properties to their existing condition such as finance costs are capitalised.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. They are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial liabilities and equity instruments — continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and financial liabilities at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at FVTPL

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial liabilities and equity instruments — continued

Financial liabilities at amortised cost

Financial liabilities at amortised cost, other than convertible note and conversion option derivative (see accounting policy below), including construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings and 13.5% fixed-rate senior notes are subsequently measured at amortised cost, using the effective interest method.

Convertible note and conversion option derivative

The component parts of the convertible note issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and conversion option derivative are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Derecognition — continued

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset other than investment properties measured under fair value model. Such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Borrowing costs

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to borrowing cost which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Taxation — continued

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred taxes for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying accounting policies

The following is the critical judgment that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Key sources of estimation uncertainty

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

Estimate of fair value of investment properties under construction

As described in note 15, investment properties under construction are mainly measured at fair value at the end of each reporting period using a residual method by independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation reflect market condition. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties under construction may be significantly affected. As at December 31, 2016, investment properties under construction of approximately RMB48,768,565,000 (2015: RMB47,175,459,000) are revalued using a residual method.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Key sources of estimation uncertainty — continued

Estimate of fair value of conversion option derivative

As described in note 24, the directors of the Company engaged an independent valuer who applied appropriate valuation technique for conversion option derivative that is not quoted in an active market. The conversion option derivative was valued using the binomial option pricing model that incorporated market data and involved uncertainty in estimates in the assumptions. Because binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in notes 24 and 30. As at December 31, 2016, the fair value of conversion option derivative is approximately RMB59,297,000 (2015: RMB59,363,000). The directors of the Company believe that the chosen valuation technique and assumptions are appropriate in determining the fair value of the conversion option derivative.

Estimate of net realisable value of properties under development for sales and properties held for sales

As at December 31, 2016, properties under development for sales of approximately RMB5,155,483,000 (2015: RMB4,877,607,000) and properties held for sales of approximately RMB467,793,000 (2015: RMB349,153,000) are stated at lower of cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is estimated selling price less selling expenses and estimated costs of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price arising from any changes to the market conditions in the PRC, there may be impairment loss recognised on the properties under development for sales and properties held for sales.

Land appreciation taxes

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. Significant judgment is required in determining the amount of land appreciation and the related taxes. The Group recognises these liabilities based on the management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made. As at December 31, 2016, the Group has LAT payable of approximately RMB562,929,000 (2015: RMB567,159,000) included in tax payable.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Key sources of estimation uncertainty — continued

Provision for legal disputes and contingent liabilities under construction contracts

As at December 31, 2016, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. Determining whether provision for construction costs in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits to be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on the advices from the independent legal advisors or internal legal counsel, those outstanding legal claims that are still in preliminary stage and the final outcome is unable to be determined at this stage amounted to approximately RMB55 million (2015: RMB29 million) in aggregate. In the opinion of the directors of the Company, the Group has possible obligation in relation to these legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of the reporting period. Disclosure of such contingent liabilities has been made in note 27. As a result, amount of RMB55 million (2015: RMB29 million) has been disclosed as contingent liabilities and such amount has not been included in construction cost accruals nor provision made in the consolidated financial statements.

5. SEGMENT INFORMATION

The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The Group is principally operating in two operating locations and engaged in three principal business activities. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the operating locations of each principal business activity. The principal locations are Shanghai and Chongqing in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

Property development	—	Shanghai
(developing and selling of properties)	—	Chongqing
Property investment	—	Shanghai
(leasing of investment properties)	—	Chongqing
Others		

No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is presented below.

5. SEGMENT INFORMATION — continued

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended December 31, 2016

	Property development		Property investment			
	Shanghai RMB'000	**Chongqing RMB'000**	**Shanghai RMB'000**	**Chongqing RMB'000**	**Others RMB'000**	**Total RMB'000**
Revenue						
External sales	**164,838**	**33,119**	**613**	**270**	**7,377**	**206,217**
Segment profit (loss)	**130,024**	**1,705**	**1,058,925**	**56,105**	**(4,000)**	**1,242,759**
Other income, gains and losses, net						**33,745**
Net exchange loss						**(133,107)**
Unallocated items						**(96,314)**
Profit before tax						**1,047,083**

For the year ended December 31, 2015 (restated)

	Property development		Property investment			
	Shanghai RMB'000	Chongqing RMB'000	Shanghai RMB'000	Chongqing RMB'000	Others RMB'000	Total RMB'000
Revenue						
External sales	32,393	33,144	922	—	5,245	71,704
Segment profit (loss)	25,683	17,606	1,349,980	391,035	(5,030)	1,779,274
Other income, gains and losses, net						5,872
Net exchange loss						(62,291)
Unallocated items						(43,664)
Profit before tax						1,679,191

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties, without allocation of other income, gains and losses, net exchange loss, changes in fair value of conversion option derivative, selling expenses and administrative expenses including share-based payment expenses and directors' emoluments. This is the measure reported to the Company's Chief Executive Officer for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION — continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment which is also the information presented to the Company's Chief Executive Officer:

	2016 RMB'000	2015 RMB'000 (restated)
Segment assets:		
Property development		
— Shanghai	**1,159,940**	1,137,973
— Chongqing	**4,465,790**	4,091,242
Property investment		
— Shanghai	**41,021,926**	39,610,804
— Chongqing	**10,436,119**	10,147,505
Others	**404,814**	366,377
Segment total	**57,488,589**	55,353,901
Unallocated assets	**990,733**	487,334
Consolidated assets	**58,479,322**	55,841,235
Segment liabilities:		
Property development		
— Shanghai	**697,808**	410,354
— Chongqing	**1,814,550**	1,265,986
Property investment		
— Shanghai	**3,452,224**	3,349,959
— Chongqing	**1,927,989**	1,558,589
Others	**255,722**	240,067
Segment total	**8,148,293**	6,824,955
Unallocated liabilities	**13,426,110**	12,850,945
Consolidated liabilities	**21,574,403**	19,675,900

5. SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reporting segments other than certain property, plant and equipment, certain prepaid lease payments, other receivables, deposits and prepayments, pledged bank deposits, and bank balances and cash, which are commonly used among segments or used for corporate operation.

- all liabilities are allocated to operating and reporting segments other than certain other payables and accruals, amount due to a shareholder, tax payable and deferred tax liabilities, which are corporate liabilities that are unallocated either. Borrowings, fixed-rate senior notes and convertible note are allocated on a consistent basis with finance costs capitalised. Conversion option derivative is allocated according to the portion of convertible note allocated.

Other segment information

For the year ended December 31, 2016

	Property development		Property investment			Segments'		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Note a)	
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	1,058,312	55,835	—	1,114,147	—	1,114,147
Additions to non-current assets (Note b)	—	—	407,391	234,346	41,300	683,037	210	683,247
Depreciation of property, plant and equipment	—	—	—	—	40	40	2,927	2,967
Gain on disposal of investment properties	—	—	—	—	—	—	28,772	28,772
Amortisation of prepaid lease payments	—	—	—	—	3,105	3,105	44	3,149

5. SEGMENT INFORMATION — continued

Other segment information — continued

For the year ended December 31, 2015 (restated)

	Property development		Property investment					
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Segments' total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	1,349,086	391,035	—	1,740,121	—	1,740,121
Additions to non-current assets (Note b)	—	—	353,557	241,449	42,111	637,117	184	637,301
Depreciation of property, plant and equipment	—	—	—	—	141	141	2,882	3,023
Loss on disposal of investment properties	—	—	—	—	—	—	2,026	2,026
Amortisation of prepaid lease payments	—	—	—	—	3,105	3,105	44	3,149

Notes:

(a) All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than certain additions to non-current assets, depreciation of property, plant and equipment, gain or loss on disposal of investment properties and amortisation of prepaid lease payments which are related to unallocated assets commonly used between segments or used for corporate operation.

(b) Non-current assets include investment properties, property, plant and equipment and prepaid lease payments.

Geographical information

All revenue of the Group are derived from operations in the PRC.

Non-current assets of the Group are mainly located in the PRC (group entities' country of domicile).

Information about major customer

For the years ended December 31, 2016 and 2015, no revenue from a customer of the corresponding year contributed over 10% of the total revenue of the Group.

6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	2016 RMB'000	2015 RMB'000 (restated)
Revenue		
Sales of properties	**197,957**	65,537
Property rental income	**883**	922
Property management income	**7,377**	5,245
	206,217	71,704
Other income, gains and losses, net		
Gain (loss) on disposal of investment properties	**28,772**	(2,026)
Interest on bank deposits	**4,144**	7,501
Loss on disposal of property, plant and equipment	**(22)**	—
Others	**851**	397
	33,745	5,872
Total revenue and other income, gains and losses, net	**239,962**	77,576

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000 (restated)
Interest on other borrowings	**226,581**	180,948
Interest on bank borrowings	**308,590**	262,288
Effective interest expense on fixed-rate senior notes	**236,107**	223,440
Effective interest expense on convertible note	**60,360**	51,066
Total finance costs	**831,638**	717,742
Less: Amount capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(831,638)**	(717,742)
	—	—

Borrowing costs capitalised during the year arose on the specific borrowings are approximately RMB429,615,000 (2015: RMB300,708,000). Borrowing costs capitalised during the year arose on the general borrowing pool of approximately RMB402,023,000 (2015: RMB417,034,000) are calculated by applying a capitalisation rate of 12.83% (2015: 13.13%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000 (restated)
Current tax in the PRC	**37,848**	400
Deferred tax (Note 25):		
Current year	**269,651**	433,830
	307,499	434,230

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both years.

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Income tax expense for the year can be reconciled from the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 RMB'000	2015 RMB'000 (restated)
Profit before tax	**1,047,083**	1,679,191
Tax at PRC enterprise income tax rate of 25%	**261,771**	419,798
Tax effect of expenses not deductible for tax purpose	**48,775**	41,764
Tax effect of income not taxable for tax purpose	**(3,047)**	(27,332)
Income tax expense for the year	**307,499**	434,230

9. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 10)	**1,319**	1,264
Other staff costs		
— salaries and other benefits	**28,113**	29,515
— contributions to retirement benefits schemes	**6,026**	5,779
Total staff costs	**35,458**	36,558
Less: Amount capitalised in investment properties under construction and properties under development for sales	**(10,656)**	(11,010)
	24,802	25,548
Share-based payment expenses (included in administrative expenses)	**—**	2,409
Auditor's remuneration	**2,850**	2,965
Amortisation of prepaid lease payments	**3,149**	3,149
Less: Amount capitalised in construction in progress under property, plant and equipment	**(3,105)**	(3,105)
	44	44
Depreciation of property, plant and equipment (Note 13)	**3,077**	3,153
Less: Amount capitalised in properties under development for sales	**(1,473)**	(1,480)
	1,604	1,673
Cost of properties sold (included in cost of sales)	**66,228**	22,248
Gross rental income from investment properties	**883**	922
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**(30)**	(28)
	853	894

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

	2016 RMB'000	2015 RMB'000 (restated)
Fees	**1,079**	1,024
Salaries and allowances	**240**	240
	1,319	1,264

The emoluments paid to the directors and chief executive were as follows:

For the year ended December 31, 2016

	Fees RMB'000	Salaries and allowances RMB'000	Total RMB'000
Executive directors:			
Dr. Wang Shih Chang, George	—	—	—
Mr. Wong (Note)	—	—	—
Mr. Xu Li Chang	—	240	240
	—	240	240
Non-executive director:			
Mr. Kwan Kai Cheong	206	—	206
Independent non-executive directors:			
Mr. Warren Talbot Beckwith	206	—	206
Mr. Cheng Chaun Kwan, Michael	206	—	206
Mr. Luk Koon Hoo	206	—	206
Mr. Garry Alides Willinge	206	—	206
Mr. Wu Zhi Gao	49	—	49
	873	—	873
	1,079	240	1,319

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — continued

Directors' and chief executive's emoluments — continued

For the year ended December 31, 2015 (restated)

	Fees RMB'000	Salaries and allowances RMB'000	Total RMB'000
Executive directors:			
Dr. Wang Shih Chang, George	—	—	—
Mr. Wong (Note)	—	—	—
Mr. Xu Li Chang	—	240	240
	—	240	240
Non-executive director:			
Mr. Kwan Kai Cheong	195	—	195
Independent non-executive directors:			
Mr. Warren Talbot Beckwith	195	—	195
Mr. Cheng Chaun Kwan, Michael	195	—	195
Mr. Luk Koon Hoo	195	—	195
Mr. Garry Alides Willinge	195	—	195
Mr. Wu Zhi Gao	49	—	49
	829	—	829
	1,024	240	1,264

Note: Mr. Wong is also the chief executive of the Company and no emoluments for his services rendered as the chief executive was provided by the Group.

The executive director's emolument shown above was for his service in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — continued

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director and chief executive of the Company for both years, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2015: five) were as follows:

	2016 **RMB'000**	2015 RMB'000 (restated)
Salaries and allowances	**4,900**	3,177
Retirement benefits scheme contributions	**122**	101
	5,022	3,278

Their emoluments were within the following bands:

	2016 **Number of employees**	2015 Number of employees
Nil to HK$1,000,000 (equivalent to nil to approximately RMB859,000)	**3**	4
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB859,001 to approximately RMB1,289,000)	**2**	1
	5	5

During both years, no remuneration was paid by the Group to any of the directors and chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration during both years.

11. DIVIDEND

No dividend was paid or declared during the years ended December 31, 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2016 RMB'000	2015 RMB'000 (restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**739,584**	1,244,961
Effect of dilutive potential ordinary shares:		
— Change in fair value of conversion option derivative	**(4,064)**	(22,021)
— Effective interest expense on convertible note (net of income tax) (Note)	**—**	—
Earnings for the purpose of diluted earnings per share	**735,520**	1,222,940

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares:		
— Convertible note	**206,612**	206,612
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,015,689**	2,015,689

Note: Since the effective interest expense on convertible note had been capitalised in investment properties under construction and properties under development for sales, there would be no effect on the earnings for the purposes of diluted earnings per share for both years.

The computation of diluted earnings per share for the year ended December 31, 2015 did not assume the exercise of the 2013 Share Options (as defined in note 33) before they were lapsed as at July 3, 2015 because the exercise price of these options was higher than the average market price of the Company's shares since January 1, 2015 up to July 3, 2015 when the 2013 share options lapsed.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Leasehold improvements	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2015 (restated)	53,577	19,873	41	10,844	9,653	219,693	313,681
Additions	—	—	—	—	116	42,682	42,798
At December 31, 2015 (restated)	53,577	19,873	41	10,844	9,769	262,375	356,479
Additions	—	—	—	468	—	41,033	41,501
Disposals	—	—	—	(78)	—	—	(78)
At December 31, 2016	53,577	19,873	41	11,234	9,769	303,408	397,902
DEPRECIATION							
At January 1, 2015 (restated)	16,073	8,781	41	8,902	7,898	—	41,695
Provided for the year (Note 9)	1,339	918	—	382	514	—	3,153
At December 31, 2015 (restated)	17,412	9,699	41	9,284	8,412	—	44,848
Provided for the year (Note 9)	1,339	918	—	216	604	—	3,077
Eliminated on disposals	—	—	—	(53)	—	—	(53)
At December 31, 2016	18,751	10,617	41	9,447	9,016	—	47,872
CARRYING VALUES							
At December 31, 2016	34,826	9,256	—	1,787	753	303,408	350,030
At December 31, 2015 (restated)	36,165	10,174	—	1,560	1,357	262,375	311,631
At January 1, 2015 (restated)	37,504	11,092	—	1,942	1,755	219,693	271,986

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	Shorter of lease terms and 4.5%
Leasehold improvements	Shorter of the remaining term of the land lease on which the buildings are located and 4.5%
Office equipment, furniture and fixtures	18%–19%
Motor vehicles	18%–19%

Certain of the Group's leasehold land, buildings and construction in progress with a carrying value of approximately RMB34,795,000 (2015: RMB36,165,000), RMB3,860,000 (2015: RMB4,395,000) and RMB242,184,000 (2015: RMB190,599,000) respectively were pledged to secure certain borrowing facilities granted to the Group.

14. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights in the PRC. Certain of the Group's prepaid lease payments with a carrying amount of approximately RMB2,035,000 (2015: RMB2,127,000) were pledged to secure certain borrowing facilities granted to the Group.

15. INVESTMENT PROPERTIES

	2016 **RMB'000**	2015 RMB'000 (restated)
FAIR VALUE		
Completed properties held for rental purpose (Note):		
At the beginning of the year	**2,582,850**	2,531,740
Disposals	**(55,720)**	(9,712)
Net changes in fair value recognised in profit or loss	**162,350**	60,822
At the end of the year	**2,689,480**	2,582,850
Investment properties under construction:		
At the beginning of the year	**47,175,459**	44,901,657
Additions	**641,309**	594,503
Net changes in fair value recognised in profit or loss	**951,797**	1,679,299
At the end of the year	**48,768,565**	47,175,459
Total	**51,458,045**	49,758,309
Unrealised gain on properties revaluation included in profit or loss for the financial year	**1,114,147**	1,740,121

Note: As at December 31, 2016, included in the Group's completed properties held for rental purpose, balance are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately RMB2,170,250,000 (2015: RMB2,110,070,000); of which 100% (2015: 100%) is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants. For the Group's marketing strategy, upon the completion of the northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), the Group will then recruit their target tenants for both Phase 1 and Phase 2 North Portion of Shanghai Concord City.

The investment properties are under Level 3 fair value measurements. At the end of each reporting period, the senior management works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year.

15. INVESTMENT PROPERTIES — continued

The fair values of certain of the Group's investment properties at December 31, 2016 were arrived at on the basis of a valuation carried out on those dates by Colliers International (Hong Kong) Limited ("Colliers") in respect of the properties situated in Shanghai and Chongqing, the PRC. Colliers is independent qualified professional valuers not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing as at December 31, 2016 and 2015 determined by Colliers are approximately RMB41,021,926,000 (2015: RMB39,610,802,000) and RMB10,436,119,000 (2015: RMB10,147,507,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. There has been no change in the valuation technique used as compared with 2015.

The overall development areas on two pieces of land plot located in Chongqing has been proceeded to the government's final approval to develop Chongqing International Commerce Centre ("CQICC") with gross floor area of 2,050,000 square meter and the application is under processing as at December 31, 2016. At December 31, 2016, the fair value of CQICC amounted to approximately RMB4,338,293,000 (2015: RMB4,202,472,000) is determined by Colliers.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the Level 3 of the fair value hierarchy as at December 31, 2016 and 2015 are as follows:

	2016 **RMB'000**	2015 RMB'000 (restated)
Investment Properties		
Retail	**47,211,498**	45,784,320
Office	**4,246,547**	3,973,989
Total	**51,458,045**	49,758,309

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Colliers						
Shanghai Cannes and Phase 1 of Shanghai Concord City						
Retail	**2,689,480**	Income capitalisation approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB359 per square meter per month (for Shanghai Cannes) RMB1,403 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v)	Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers						
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")						
Retail	**36,201,206**	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB562 per square meter per month (for Minhang) RMB1,539–RMB1,740 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	80%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB3,278,430,000	The higher the cost, the lower the fair value.
			(vi)	Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Shanghai Phase 2 of Shanghai Concord City						
Office	**2,131,240**	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB383 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB391,880,000	The higher the cost, the lower the fair value.
			(vi)	Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing Manhattan City						
Retail	**1,487,572**	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB216 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected Occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB1,737,183,611	The higher the cost, the lower the fair value.
			(vi)	Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing Concord City						
Retail	**3,130,072**	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB820 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB1,207,568,000	The higher the cost, the lower the fair value.
			(vi)	Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing Concord City — continued						
Office	**1,480,182**	Residual approach	(i)	Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB28,489 per square meter	The higher the selling price, the higher the fair value.
			(ii)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii)	Construction cost to complete	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv)	Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing International Commerce Centre						
Retail	**3,703,167**	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB450 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v)	Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi)	Construction cost to complete	RMB4,228,485,000	The higher the cost, the lower the fair value.
			(vii)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs		Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing International Commerce Centre — continued						
Office	**635,126**	Residual approach	(i)	Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB21,633 per square meter	The higher the selling price, the higher the fair value.
			(ii)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii)	Construction cost to complete	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv)	Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	48,768,565					

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Colliers						
Shanghai Cannes and Phase 1 of Shanghai Concord City						
Retail	2,582,850	Income capitalisation approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB343 per square meter per month (for Shanghai Cannes) RMB1,327 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v)	Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers						
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")						
Retail	35,062,499	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB534 per square meter per month (for Minhang) RMB1,448–RMB1,680 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	80%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB3,495,300,685	The higher the cost, the lower the fair value.
			(vi)	Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Shanghai Phase 2 of Shanghai Concord City						
Office	1,965,453	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB358 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB391,880,000	The higher the cost, the lower the fair value.
			(vi)	Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing Manhattan City						
Retail	1,457,984	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB211 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected Occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB1,970,306,000	The higher the cost, the lower the fair value.
			(vi)	Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing Concord City						
Retail	3,085,061	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB812 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v)	Construction cost to complete	RMB1,210,145,000	The higher the cost, the lower the fair value.
			(vi)	Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing Concord City — continued						
Office	1,401,991	Residual approach	(i)	Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB28,077 per square meter	The higher the selling price, the higher the fair value.
			(ii)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii)	Construction cost to complete	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv)	Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing International Commerce Centre						
Retail	3,595,927	Residual approach	(i)	Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii)	Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB439 per square meter per month	The higher the market rent, the higher the fair value.
			(iii)	Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v)	Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi)	Construction cost to complete	RMB4,228,485,000	The higher the cost, the lower the fair value.
			(vii)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii)	Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — continued

Information about fair value measurements using significant unobservable input — continued

Description	Fair value as at December 31, 2015 RMB'000 (restated)	Valuation techniques		Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued						
Chongqing International Commerce Centre — continued						
Office	606,544	Residual approach	(i)	Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB21,581 per square meter	The higher the selling price, the higher the fair value.
			(ii)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii)	Construction cost to complete	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv)	Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	47,175,459					

As at December 31, 2016, certain of the Group's investment properties with a carrying value of approximately RMB42,576,579,000 (2015: RMB41,289,734,000) were pledged to secure certain borrowing facilities granted to the Group.

All the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2016 RMB'000	2015 RMB'000 (restated)
Cost		
At the beginning of the year	**4,877,607**	4,438,966
Additions	**438,376**	438,641
Transfer to properties held for sale	**(160,500)**	—
At the end of the year	**5,155,483**	4,877,607
Properties under development for sales of which:		
— expected to be completed within twelve months	**721,634**	733,865
— expected to be completed after twelve months after the end of the reporting period	**4,433,849**	4,143,742
	5,155,483	4,877,607

As at December 31, 2016, certain of the Group's properties under development for sales with a carrying value of approximately RMB1,501,790,000 (2015: RMB1,512,119,000) were pledged to secure certain borrowing facilities granted to the Group.

17. PROPERTIES HELD FOR SALES

As at December 31, 2016, certain of the Group's properties held for sales with a carrying value of approximately RMB188,152,000 (2015: RMB223,012,000) were pledged to secure certain borrowing facilities granted to the Group.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	2016	2015
	RMB'000	RMB'000
		(restated)
Trade receivables	**—**	2,454
Prepayment of business taxes and other PRC taxes	**29,669**	17,591
Other receivables, deposits and prepayments	**169,587**	112,352
	199,256	132,397

19. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At December 31, 2016, pledged bank deposits of approximately RMB278,517,000 (2015: RMB130,530,000) were pledged for short term borrowings due within one year and thus the amount was classified as current.

The pledged bank deposits carry effective interest rates which range from 0.01% to 2.10% (2015: 0.01% to 2.10%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. Bank balances carry interest at market rates which range from 0.01% to 1.10% (2015: 0.01% to 1.10%) per annum.

At December 31, 2016, pledged bank deposits and bank balances and cash with banks in the PRC amounted to approximately RMB579,662,000 (2015: RMB159,634,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

20. DEPOSITS RECEIVED FOR SALES OF PROPERTIES

	2016 **RMB'000**	2015 RMB'000 (restated)
Deposits received for sales of properties — expected to be realised within twelve months	**402,739**	70,644

21. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Company has excess cash.

22. BORROWINGS

	2016 **RMB'000**	2015 RMB'000 (restated)
Bank borrowings, secured	**255,144**	1,625,254
Other borrowings, secured	**5,000,027**	2,826,685
	5,255,171	4,451,939
Carrying amounts of the borrowings repayable based on contractual term#:		
Within one year	**1,395,171**	1,501,939
More than one year, but not exceeding two years	**2,060,000**	690,000
More than two years, but not exceeding five years	**1,800,000**	2,260,000
	5,255,171	4,451,939
Less: Amount due within one year shown under current liabilities	**(1,395,171)**	(1,501,939)
Amount shown under non-current liabilities	**3,860,000**	2,950,000

As at December 31, 2016, bank borrowings of approximately RMB255,144,000 (2015: RMB97,127,000) with a "repayable on demand" clause are included in the "on demand or within one year" time band.

The amounts due are based on scheduled repayment dates set out in the loan agreements.

22. BORROWINGS — continued

The Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2016 RMB'000	2015 RMB'000 (restated)
HK$	**37,900**	29,230
United States Dollar ("US$")	**120,111**	—

Bank borrowings

At December 31, 2016, the Group has no fixed-rate bank borrowing.

At December 31, 2015, the Group had a secured fixed-rate bank borrowing amounting to approximately RMB547,119,000 which will be matured within a year from December 31, 2015.

	2016 RMB'000	2015 RMB'000 (restated)
Carrying amounts of secured variable-rate bank borrowings repayable based on contractual term#:		
Within one year	**255,144**	328,135
More than one year, but not exceeding two years	**—**	250,000
More than two years, but not exceeding five years	**—**	500,000
	255,144	1,078,135
Less: Amount due within one year shown under current liabilities (Note)	**(255,144)**	(328,135)
Amount shown under non-current liabilities	**—**	750,000

The amounts due are based on scheduled repayment dates set out in the loan agreements.

Note: As at December 31, 2016, including the amounts due within one year shown under current liabilities, all of the bank borrowings (2015: amount of approximately RMB97,127,000) contain a repayable on demand clause.

As at December 31, 2015, the Group had a significant secured variable rate bank borrowing, which was denominated in RMB, carried interests at base rate fixed by PBOC times 110% and was repriced yearly. At December 31, 2015, the carrying amount of such bank borrowing amounted to RMB951,779,000 (RMB201,779,000 repayable within one year and RMB750,000,000 repayable one to two years). This bank borrowing was fully settled during the year ended December 31, 2016.

22. BORROWINGS — continued

Bank borrowings — continued

The interest rates of the Group's variable-rate bank borrowings are based on base rate fixed by the People's Bank of China ("PBOC") plus a premium, Hong Kong Interbank Offered Rate ("HIBOR") plus a premium and London Interbank Offered Rate ("LIBOR") plus a premium. Details are as follows:

	2016 **RMB'000**	2015 RMB'000 (restated)
Base rate fixed by PBOC plus a premium:		
Carrying amounts repayable:		
Within one year	**97,133**	298,905
More than one year, but not exceeding two years	**—**	250,000
More than two years, but not exceeding five years	**—**	500,000

	2016 **RMB'000**	2015 RMB'000 (restated)
HIBOR plus a premium:		
Carrying amounts repayable:		
Within one year	**37,900**	29,230
LIBOR plus a premium:		
Carrying amounts repayable:		
Within one year	**120,111**	—

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2016	2015
Effective interest rate:		
Fixed-rate bank borrowing	**N/A**	17.00%
Variable-rate bank borrowings	**2.65% to 4.35%**	2.02% to 11.16%

22. BORROWINGS — continued

Other borrowings

	2016 RMB'000	2015 RMB'000 (restated)
Carrying amount of the fixed-rate other borrowings repayable based on contractual term#:		
Within one year	**1,140,027**	626,685
More than one year, but not exceeding two years	**2,060,000**	440,000
More than two years, but not exceeding five years	**1,800,000**	1,760,000
	5,000,027	2,826,685
Less: Amount due within one year shown under current liabilities	**(1,140,027)**	(626,685)
Amount shown under non-current liabilities	**3,860,000**	2,200,000

The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at December 31, 2016, the Group has four significant secured fixed rate other borrowings from three lenders, which are denominated in RMB, carry interests in fixed rate arranging from 7.4% to 11.34% per annum. At December 31, 2016, the carrying amount of such other borrowings amount to RMB4,628,513,000 (RMB768,513,000 repayable within one year, RMB2,060,000,000 repayable one to two years and RMB1,800,000,000 repayable two to five years).

The other borrowings are secured and carrying at fixed interest rate ranging from 7.20% to 11.34% (2015: 8.60% to 11.78%) per annum. The weighted average rate is 10.22% (2015: 11.42%) per annum.

23. 13.5% FIXED-RATE SENIOR NOTES

On October 8, 2013 and October 22, 2013, the Company issued approximately US$150 million and US$100 million respectively in aggregate principal amount of the fixed-rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 13.50% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 13.67% per annum. Interest on the notes is payable on April 16 and October 16 of each year. The notes will mature on October 16, 2018. The notes are guaranteed by certain of the Company's subsidiaries.

23. 13.5% FIXED-RATE SENIOR NOTES — continued

At any time before October 16, 2016, the Company may redeem the notes, in whole or in part, at redemption price equal to 100% of their principal amount plus premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to October 16, 2016, the Company may redeem up to 35% of the principal amount of the notes with the net cash proceeds of one or more equity offerings at a redemption price of 113.50% of the principal amount of the notes plus accrued and unpaid interest, if any, to the redemption date. Up to December 31, 2016 and date of this report, the Company did not redeem any 13.5% fixed-rate senior note.

On or after October 16, 2016, the Company may, at its option, redeem all or part of the notes at the redemption prices equals to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the 12-month period commencing on October 16 of the years indicated below:

12-month period commencing in the year	Percentage
2016	106.750%
2017	103.375%
2018	100.000%

The directors of the Company consider that the fair values of the redemption options at December 31, 2015 and at December 31, 2016 are insignificant.

The carrying amounts of 13.5% fixed-rate senior notes is analysed as follows:

	2016	2015
	RMB'000	RMB'000
		(restated)
Current portion (Note)	**49,912**	46,627
Non-current portion	**1,732,822**	1,609,131
	1,782,734	1,655,758

Note: The current portion of 13.5% fixed-rate senior notes, represent interest portion of the interest to be repaid to the notes holders within twelve months from the end of the reporting period, is included in the other payables and accruals.

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE

On January 27, 2012, the Company and Hillwealth Holdings Limited (the "Subscriber"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Wong, entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for a convertible note of HK$500,000,000 in cash. The convertible note is interest bearing at a fixed rate of 5% per annum and matures on the fourth anniversary of the issue date. The conversion price of the convertible note is HK$2.42 per share.

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE — continued

On February 21, 2012, the Company and the Subscriber entered into a supplemental agreement to extend the maturity date and the period for conversion of the convertible note to the sixth anniversary of the issue date. Both the Company and the Subscriber have no early redemption rights on the convertible note. The Company shall repay the principal amount outstanding under the convertible note to the Subscriber together with all interest accrued on the sixth anniversary of the date of issue of the convertible note.

The issuance of the convertible note was approved at the extraordinary general meeting of the Company held on March 16, 2012. On March 19, 2012, the Listing Committee of the Stock Exchange conditionally granted the listing of and permission to deal with the conversion shares, subject to (i) approval by the Independent Shareholders of the issue of the convertible note under Rule 13.36 of the Listing Rules and (ii) fulfillment of all other conditions of the subscription agreement. In accordance with the subscription agreement, all of the conditions precedent had been fulfilled on August 14, 2012 and the issue of the convertible note had been agreed between the Company and the Subscriber to fall on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company.

The convertible note is denominated in HK$ and contains two components, debt component and conversion option derivative. The effective interest rate of the debt component is 18.838% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the conversion option derivatives at end of the reporting period is calculated using the binomial option pricing model by an independent valuer, Asset Appraisal Limited. The inputs into the model are as follows:

	At December 31, 2015	**At December 31, 2016**
Spot price (HK$)	1.60	**1.80**
Exercise price (HK$)	2.42	**2.42**
Risk-free interest rate	0.59%	**0.97%**
Discount rate	18.67%	**20.59%**
Volatility	38.965%	**39.894%**
Dividend yield	0%	**0%**

Note: Pursuant to the subscription agreement and the supplemental agreement, conversion option may be exercised at any time after full repayment of the loan principal and all outstanding accrued interest under the facility agreement entered into with China Development Bank Corporation, Hong Kong Branch or the date falling 36 months from the first date a loan was made under the facility agreement (whichever is earlier). The Subscriber will have the right to convert the whole or part of the principal amount of the convertible note into shares at any time and from time to time up to the sixth anniversary of the date of inception of the convertible note. As settlement was made before December 31, 2016, such option is exercisable at end of both of the reporting period.

Expected volatility of the conversion option derivative was determined using the historical volatility of the price return of the ordinary shares of comparable companies. Because the binominal option pricing model requires the input of subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE — continued

The movements of the different components of the convertible note for the year are set out as below:

	Debt component RMB'000	**Conversion option derivative** RMB'000	**Total** RMB'000
Carrying amount at January 1, 2015 (restated)	267,429	78,355	345,784
Interest charged (Note 7)	51,066	—	51,066
Interest paid	(20,330)	—	(20,330)
Gain arising on changes in fair value	—	(22,021)	(22,021)
Effect of foreign currency exchange differences recognised to profit or loss	13,697	3,029	16,726
As at December 31, 2015 (restated)	311,862	59,363	371,225
Interest charged (Note 7)	60,360	—	60,360
Interest paid	(21,483)	—	(21,483)
Gain arising on changes in fair value	—	(4,064)	(4,064)
Effect of foreign currency exchange differences recognised to profit or loss	23,723	3,998	27,721
As at December 31, 2016	374,462	59,297	433,759
Analysis for reporting purpose as:			
Current portion (Note)	8,673	—	8,673
Non-current portion	365,789	59,297	425,086
As at December 31, 2016	374,462	59,297	433,759

Note: The current portion of debt component represents interest portion of the convertible note to be repaid within twelve months from the end of the reporting period, is included in the other payables and accruals.

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustment of investment properties RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2015 (restated)	10,014,163	59,128	10,073,291
Charged to profit or loss (Note 8)	433,830	—	433,830
At December 31, 2015 (restated)	10,447,993	59,128	10,507,121
Charged to profit or loss (Note 8)	269,651	—	269,651
At December 31, 2016	10,717,644	59,128	10,776,772

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalised in investment properties under construction, properties under development for sales and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the two years ended December 31, 2016 and 2015, and at the end of the reporting periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB21,006,105,000 (2015: RMB20,104,105,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At January 1, 2015, December 31, 2015 and December 31, 2016	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2015, December 31, 2015 and December 31, 2016	1,809,077,000	180,907
Presented in consolidated financial statements as:		
At January 1, 2015, December 31, 2015 and December 31, 2016		RMB170,073,000

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

27. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

Guarantee

	2016 RMB'000	2015 RMB'000 (restated)
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Note)	**483,114**	796,954

Note: The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated statement of financial position.

27. CONTINGENT LIABILITIES — continued

Legal disputes

As at December 31, 2016, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB62 million (2015: RMB50 million) and the withdrawal of bank deposits of approximately RMB6 million (2015: RMB3 million) as at December 31, 2016. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making countered claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management has sought advices from the independent legal advisors or internal legal counsel, as at December 31, 2016, the Group has provided the construction cost liabilities amounting to RMB69 million (2015: RMB73 million) in relation to the above mentioned construction contracts under dispute.

For those outstanding legal claims that are still in preliminary stage, according to the advices from the independent legal advisors or internal legal counsel, the final outcome is unable to be determined at this stage amounted to approximately RMB55 million (2015: RMB29 million) in aggregate. Accordingly no further provision is required to be made in the consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

28. OTHER COMMITMENTS

	2016 **RMB'000**	2015 RMB'000 (restated)
Construction commitment contracted for but not provided	**1,100,543**	1,023,256

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amount due to a shareholder, borrowings, 13.5% fixed-rate senior notes and convertible note disclosed in notes 21, 22, 23 and 24 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings. The directors of the Company monitor current and expected liquidity requirement as well as the summary compliance report on loan covenants regularly.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payments of dividends, new shares issues, shares buy-backs and issue of new debts or redemption of existing debts.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000 (restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**765,402**	324,596
Financial liabilities		
Financial liabilities classified as at FVTPL	**59,297**	59,363
Amortised cost	**9,587,873**	8,314,839

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings, 13.5% fixed-rate senior notes, convertible note and conversion option derivative. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

30. FINANCIAL INSTRUMENTS — continued

Market risk

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain pledged bank deposits, bank balances, borrowings, fixed-rate senior notes, convertible note and conversion option derivative which are denominated in HK$ and US$ as disclosed below. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation/appreciation in the RMB against US$ and HK$ may have a material impact on the Group's results.

As at the end of the reporting period, certain financial assets and financial liabilities of the Group were denominated in HK$ and US$ which are the currencies other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HK$		**US$**	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Bank balances and cash	**173,096**	153,755	**62**	71
Borrowings	**37,900**	29,230	**120,111**	—
13.5% fixed-rate senior notes	**—**	—	**1,782,734**	1,655,738
Convertible note	**374,462**	311,862	**—**	—

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$ and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2015: 5%) change in foreign currency rates. 5% (2015: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% against US$ and HK$ for the current year. For a 5% weakening of RMB against US$ and HK$, there would be an equal but opposite impact on the post-tax profit for the year.

30. FINANCIAL INSTRUMENTS — continued

Market risk — continued

Foreign currency risk — continued

Sensitivity analysis — continued

	HK$ impact		US$ impact	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Profit for the year	**11,963**	9,367	**95,139**	82,783

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate fixed by PBOC, HIBOR and LIBOR (2015: PBOC and HIBOR) arising from the Group's bank borrowings. The Group currently does not have any interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits, fixed-rate bank and other borrowings (see note 22 for details), fixed-rate senior notes (see note 23 for details) and convertible note (see note 24 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option of the fixed-rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 1% (2015: 1%) increase or decrease is used in management's assessment of the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowings of the Group increase or decrease by 1%, finance costs would increase or decrease by approximately RMB2,551,000 (2015: RMB10,781,000). Since all the Group's finance costs had been capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales, there would be no effect on the Group's post-tax profit for the year.

30. FINANCIAL INSTRUMENTS — continued

Market risk — continued

Other price risk

The Group is required to estimate the fair value of the conversion option derivative embedded in the convertible note at the end of each reporting period with changes in fair value to be recognised in the profit or loss as long as the convertible note is outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk and volatility risk arising from conversion option derivative at the end of the reporting period only as the directors of the Company consider that the change in market interest rate may not have significant financial impact on the fair value of conversion option derivative.

(i) Changes in share price

If the Company's share price had been 5% higher/lower and all other variables were held constant, the Group's profit for the year (as a result of changes in fair value of conversion option derivative) would decrease by approximately RMB9,361,000/increase by approximately RMB8,601,000 (2015: decrease by approximately RMB8,269,000/increase by approximately RMB7,651,000).

(ii) Changes in volatility

If the volatility of the Company's share price had been 5% higher/lower while all other variables were held constant, the Group's profit for the year ended December 31, 2016 (as a result of changes in fair value of conversion option derivative) would decrease by approximately RMB2,757,000/increase by approximately RMB2,763,000 (2015: decrease by approximately RMB2,568,000/increase by approximately RMB2,575,000).

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The management closely monitors the utilisation of bank and other borrowings and ensure compliance with loan covenants. As of December 31, 2016, the Group has borrowings with carrying amounts of RMB1,395,171,000 which is due to be repaid within one year from the end of the reporting period and the Group had other commitments contracted for but not provided in the consolidated financial statements of approximately RMB1,100,543,000 as stated in note 28.

30. FINANCIAL INSTRUMENTS — continued

Liquidity risk — continued

The directors of the Company closely monitor the liquidity of the Group having taken into account of:

(1) the availability of the Group's credit facilities. The unutilised credit facility of the Group as at December 31, 2016 is RMB1,739,786,000;

(2) the confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him of approximately RMB1,912,761,000 until the Group has excess cash to repay; and

(3) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular the consideration of the upcoming plan for sales of its properties held for sales and pre-sale of properties under development for sales.

Having considered the above, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirement.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings at December 31, 2016 and 2015 with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

30. FINANCIAL INSTRUMENTS — continued

Liquidity risk — continued

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2016							
Construction costs accruals	N/A	**207,928**	**—**	**—**	**—**	**207,928**	**207,928**
Other payables and accruals (Note 2)	N/A	**180,883**	**—**	**—**	**—**	**180,883**	**180,883**
Amount due to a shareholder	N/A	**1,912,761**	**—**	**—**	**—**	**1,912,761**	**1,912,761**
Borrowings — variable-rate	3.3061%	**258,695**	**—**	**—**	**—**	**258,695**	**255,144**
Borrowings — fixed-rate	10.2192%	**1,590,116**	**2,320,834**	**1,861,039**	**—**	**5,771,989**	**5,000,027**
13.5% fixed-rate senior notes	13.5%	**236,425**	**1,937,808**	**—**	**—**	**2,174,233**	**1,732,822**
Convertible note (Note 1)	5%	**13,779**	**471,502**	**—**	**—**	**485,281**	**425,086**
Financial guarantee contracts	N/A	**483,114**	**—**	**—**	**—**	**483,114**	**—**
		4,883,701	**4,730,144**	**1,861,039**	**—**	**11,474,884**	**9,714,651**
As at December 31, 2015							
Construction costs accruals	N/A	214,390	—	—	—	214,390	214,390
Other payables and accruals (Note 2)	N/A	120,708	—	—	—	120,708	120,708
Amount due to a shareholder	N/A	1,678,617	—	—	—	1,678,617	1,678,617
Borrowings — variable-rate	5.2593%	380,723	286,813	541,301	—	1,208,837	1,078,135
Borrowings — fixed-rate	12.3403%	1,479,704	672,709	1,867,415	—	4,019,828	3,373,804
13.5% fixed-rate senior notes	13.5%	174,239	220,867	1,856,917	—	2,252,023	1,609,131
Convertible note (Note 1)	5%	12,930	20,975	440,475	—	474,380	363,179
Financial guarantee contracts	N/A	796,956	—	—	—	796,956	—
		4,858,267	1,201,364	4,706,108	—	10,765,739	8,437,964

Notes:

(1) As at December 31, 2016, the carrying amount represents the total carrying amounts of the convertible note and conversion option derivative of approximately RMB365,789,000 (2015: RMB303,816,000) and RMB59,297,000 (2015: RMB59,363,000) respectively.

(2) The interest portion of 13.5% fixed-rate senior note and convertible note which are to be repaid within twelve months from the end of reporting period are included in other payables and accruals, the remaining portion based on the contractual maturity are included in 13.5% fixed-rate senior note and convertible note respectively.

30. FINANCIAL INSTRUMENTS — continued

Liquidity risk — continued

As at December 31, 2016, bank borrowings with a repayment on demand clause were included in the "on demand or less than 1 year" time band in the above maturity analysis. The aggregate undiscounted principal amounts were approximately RMB255,011,000 (2015: RMB97,000,000), which is, based on scheduled repayment dates set out in loan agreement, repayable within one year. Taking into account the Group's financial position, the directors of the Company did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. At that time, the aggregate principal and interest cash outflows would amount to approximately RMB288,047,000 and repayable within one year (2015: RMB101,195,000 and repayable within one year).

For properties that are still under construction, the Group typically provides financial guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees will expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk

As at December 31, 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 27.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

30. FINANCIAL INSTRUMENTS — continued

Credit risk — continued

For the financial guarantees provide to banks in connection with customers' borrowing of mortgage, if a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstance, the Group is able to retain the customer's deposit and sell the property to recover any amount paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value measurement of financial instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Conversion option derivative is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this conversion option derivative is determined (in particular, the valuation technique and inputs used).

Financial liability	Fair value	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Conversion option derivative	Liability: RMB59,297,000 (as at December 31, 2016) Liability: RMB59,363,000 (as at December 31, 2015)	Level 3	Binominal option pricing model The fair value is estimated based on risk-free interest rate, discount rate, share price (from observable market date), volatility of the share price of the comparable companies and dividend yield and exercise price	Volatility of the share price of the comparable companies, determined by reference to the historical share price of the comparable companies (Note)

Note: The higher the volatility of the share price of the comparable company, the higher the fair value of the conversion option derivative. The volatility of the share price of the Company used in the fair value measurement is 39.894% (2015: 38.965%). Details of the sensitivity analysis is set out in "other price risk".

There is no transfer between different levels of the fair value hierarchy for the years ended December 31, 2016 and 2015.

30. FINANCIAL INSTRUMENTS — continued

Fair value measurement of financial instruments — continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Reconciliation of Level 3 fair value measurements of conversion option derivative

	Conversion option derivative RMB'000
Carrying amount at January 1, 2015 (restated)	78,355
Fair value gain recognised in profit or loss	(22,021)
Effect of foreign currency exchange differences recognised to profit or loss	3,029
At December 31, 2015 (restated)	59,363
Fair value gain recognised in profit or loss	(4,064)
Effect of foreign currency exchange differences recognised to profit or loss	3,998
At December 31, 2016	59,297

Fair value measurements and valuation processes

The Group engages qualified external valuers to perform valuations for financial instruments. At the end of each reporting period, the senior management works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

(ii) Fair value of financial assets and liabilities that are not measured on a recurring basis

Except for the fixed-rate senior notes, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. At December 31, 2016, the carrying amount of the fixed-rate senior notes was RMB1,782,734,000 and the fair values of fixed-rate senior notes (categorised within Level 2 hierarchy) of approximately RMB1,841,819,000 have been determined using discounted cash flows at an approximate debt yield which being the sum of base interest rate representing the US risk-free rate of 1.48%, and the spread of 8.63% derived from the Hull-White One-Factor Model. The fair values of other financial assets and financial liabilities (categorised within Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000 (restated)
Within one year	**583**	462
In the second to fifth year inclusive	**2,474**	2,407
After the fifth year	**2,706**	3,356
	5,763	6,225

Leased properties have committed tenants ten (2015: ten) years.

As lessee

Minimum lease payments paid under operating leases during the year:

	2016 RMB'000	2015 RMB'000 (restated)
Premises	**3,552**	3,486

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000 (restated)
Within one year	**2,023**	3,167
In the second to fifth year inclusive	**—**	1,723
	2,023	4,890

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and are fixed for an average of three (2015: three) years.

32. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$25,000 as effective from June 1, 2012 and capped at HK$30,000 as effective from June 1, 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately RMB6,026,000 (2015: RMB5,779,000).

33. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme was expired on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

33. SHARE OPTION SCHEME — continued

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

2013 Share options

Pursuant to the announcement dated July 3, 2013 ("Grant Date"), 36,000,000 options ("2013 Share Options") to subscribe for the Company's ordinary shares of HK$0.10 each with the exercise price of HK$1.93 each were granted to certain eligible participants who are the consultants for the investor relations of the Group (the "Grantees"). The 2013 Share Options are granted to the consultants for rendering consultancy services in respect of seeking potential investors to acquire a certain number of the Company's shares on or before July 2, 2015 ("Target") with the two years option life from July 3, 2013 to July 2, 2015. The closing price of the Company's share at Grant Date was HK$1.88. Since the above Target could not be achieved, the 2013 Share Options were lapsed.

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model.

The estimated fair value of the 2013 Share Options granted was approximately RMB9,612,000. The Group recognised RMB2,409,000 as share-based payment expenses in the profit or loss during the year ended December 31, 2015. Upon lapse of the 2013 Share Options, share option reserve of RMB9,612,000 was transferred to retained earnings.

33. SHARE OPTION SCHEME — continued

2013 Share options — continued

The following table discloses movements of the Company's share options during current and prior years:

	Number of options
Outstanding at January 1, 2015	36,000,000
Lapsed during the year ended December 31, 2015	(36,000,000)
Outstanding at December 31, 2015 and December 31, 2016	—
Exercisable at December 31, 2015 and December 31, 2016	—

34. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed elsewhere in the financial statements, the Group had the following transactions during both years:

Nature of transactions

	2016 RMB'000	2015 RMB'000 (restated)
Office premises expenses (Note)	**32**	28

Note: On July 22, 2011, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2011 to July 31, 2014 and a new agreement is entered which is effective from August 1, 2014 to July 31, 2017.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

34. RELATED PARTY TRANSACTIONS — continued

Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. The remuneration of key management personnel of the Group during both years was as follows:

	2016 RMB'000	2015 RMB'000 (restated)
Short-term benefits	**1,319**	1,264

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors of the Company.

35. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at December 31, 2016 and 2015 are as follows:

Name of subsidiaries	Country of establishment	Equity interest attributable to the Group as at December 31, 2016	Equity interest attributable to the Group as at December 31, 2015	Issued and fully paid registered and paid-up capital as at December 31, 2016 and 2015	Principal activities
上海靜安協和房地產有限公司 Shanghai Jingan — Concord Real Estate Co., Ltd.#	PRC	**100%**	100%	US$68,000,000	Property development and investment
上海閔行協和房地產經營有限公司 Shanghai Minhang Concord Property Development Co., Ltd.#	PRC	**100%**	100%	US$99,600,000	Property development and investment
上海盈多利物業管理有限公司 Shanghai Yingduoli Property Management Co., Ltd.##	PRC	**100%**	100%	RMB500,000	Property management service
重慶茵威房地產有限公司 Chongqing Ace Blossom Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶半山一號房地產有限公司 Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶山頂一號房地產有限公司 Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶江灣房地產有限公司 Chongqing Riverside Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶兩江房地產有限公司 Chongqing Yangtze-Jialing River Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶正天投資有限公司 Chongqing Zhengtian Investment Ltd.##	PRC	**100%**	100%	RMB51,000,000	Property development and investment

\# Wholly foreign owned enterprises registered in the PRC.
\## A limited liability company registered in the PRC.

The English names stated above are for identification purpose only.

35. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY — continued

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

None of the subsidiaries had issued any debt securities at the end of the both years.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000 (restated)
Non-current Assets		
Plant and equipment	**49**	26
Investments in subsidiaries	**7,381,894**	7,102,295
	7,381,943	7,102,321
Current Assets		
Other receivables, deposits and prepayments	**947**	884
Other current asset	**1,574,506**	1,816,817
Bank balances and cash	**15**	94
	1,575,468	1,817,795
Current Liabilities		
Other payables and accruals	**64,807**	60,759
Amounts due to subsidiaries	**870,226**	573,894
	935,033	634,653
Net Current Assets	**640,435**	1,183,142
Total Assets Less Current Liabilities	**8,022,378**	8,285,463
Non-current Liabilities		
13.5% fixed-rate senior notes, non-current portion	**1,732,822**	1,609,131
Convertible note, non-current portion	**365,789**	303,816
Conversion option derivative	**59,297**	59,363
	2,157,908	1,972,310
Net Assets	**5,864,470**	6,313,153
Capital and Reserves		
Share capital	**170,073**	170,073
Share premium and reserves (Note)	**5,694,397**	6,143,080
Total Equity	**5,864,470**	6,313,153

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — continued

Note:

Movement of reserves

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2015 (restated)	170,073	7,967,070	7,203	(1,502,860)	6,641,486
Loss and total comprehensive expense for the year	—	—	—	(330,742)	(330,742)
Recognition of share-based payment expenses	—	—	2,409	—	2,409
Lapse of vested share options	—	—	(9,612)	9,612	—
At December 31, 2015 (restated)	170,073	7,967,070	—	(1,823,990)	6,313,153
Loss and total comprehensive expense for the year	—	—	—	(448,683)	(448,683)
At December 31, 2016	170,073	7,967,070	—	(2,272,673)	5,864,470

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2012 RMB'000 (restated)	2013 RMB'000 (restated)	2014 RMB'000 (restated)	2015 RMB'000 (restated)	**2016** **RMB'000**
Revenue	563,685	828,983	234,628	71,704	**206,217**
Profit before tax	1,870,369	1,164,498	2,029,089	1,679,191	**1,047,083**
Income tax expense	(440,946)	(267,189)	(506,764)	(434,230)	**(307,499)**
Profit for the year attributable to owners of the Company	1,429,423	897,309	1,522,325	1,244,961	**739,584**
Earnings per share					
Basic	RMB0.79	RMB0.50	RMB0.84	RMB0.69	**RMB0.41**
Diluted	RMB0.70	RMB0.42	RMB0.73	RMB0.61	**RMB0.36**

ASSETS AND LIABILITIES

	As at December 31,				
	2012 RMB'000 (restated)	2013 RMB'000 (restated)	2014 RMB'000 (restated)	2015 RMB'000 (restated)	**2016** **RMB'000**
Total assets	48,825,673	50,591,943	53,342,301	55,841,235	**58,479,322**
Total liabilities	(16,392,558)	(17,183,847)	(18,424,336)	(19,675,900)	**(21,574,403)**
	32,433,115	33,408,096	34,917,965	36,165,335	**36,904,919**
Equity attributable to owners of the Company	32,433,115	33,408,096	34,917,965	36,165,335	**36,904,919**

Properties held by the Group as at December 31, 2016 are as follows:

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**Effective % held**	**Stage of completion**	**Anticipated completion**
Portion of Phases 1,2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	131,402	100	Completed	N/A
Commercial Street and Service Apartment located at No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	293,815	100	Under planning	2017–2018
Portion of Phase 1 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	51,545	100	Completed	N/A
The whole of Phase 2 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	338,074	100	Construction in progress	2017–2020
Huashan Building West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2017–2018

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2016

Location	Type (Notes)	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Chongqing International Commerce Centre located at Nan Bin Road Chongqing The PRC	R & C	2,050,000	100	Under planning	2017–2019
Portion of Commercial Street Manhattan Luxury Residence and Beverly Hills located at Lijiu Road Chongqing The PRC	R & C	341,980	100	Construction in progress	2012–2017
Chongqing Manhattan City Villa Zone located at Lijiu Road Chongqing The PRC	R	456,940	100	Construction in progress	2012–2017
Chongqing Manhattan City European Type House Zone located at Lijiu Road Chongqing The PRC	R	477,995	100	Construction in progress	2017–2018
Chongqing Concord City located at Jiefangbei Chongqing The PRC	R & C	408,927	100	Under planning	2017–2019
Golden Tower located at Lijiu Road Chongqing The PRC	R & C	571,992	100	Under planning	2017–2018

Notes:

Types of properties: R — Residential, C — Commercial

N/A: Not applicable