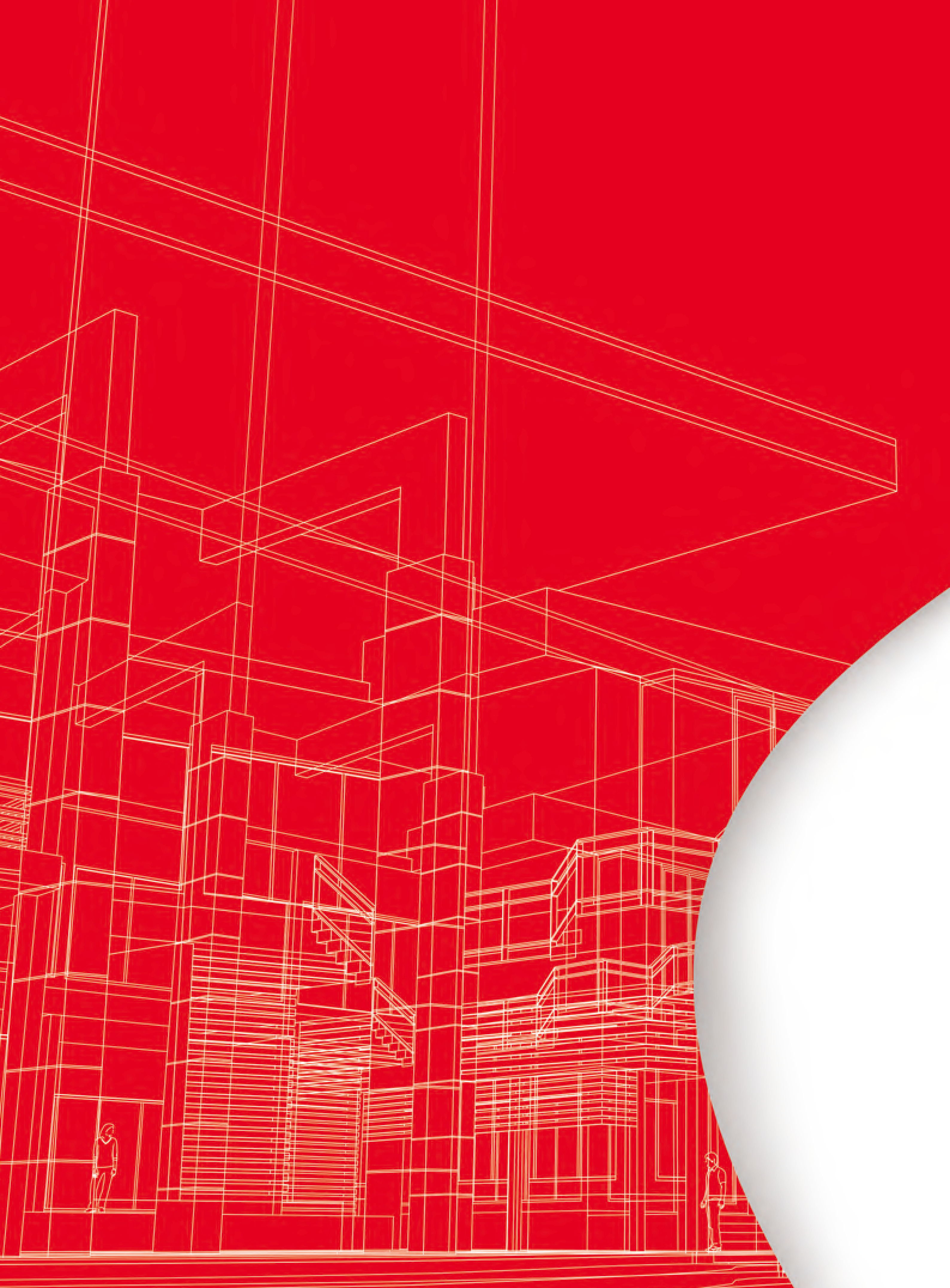
Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2608

2016
ANNUAL REPORT



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yi Xiaodi *(Chairman)*
Mr. Fan Xiaochong *(Vice Chairman)*

Non-executive Directors

Ms. Fan Xiaohua
Mr. Wang Gongquan

Independent Non-executive Directors

Mr. Gu Yunchang
Mr. Ng Fook Ai, Victor
Mr. Wang Bo

AUDIT COMMITTEE

Mr. Ng Fook Ai, Victor *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

REMUNERATION COMMITTEE

Mr. Wang Bo *(Chairman)*
Mr. Fan Xiaochong
Mr. Gu Yunchang

NOMINATION COMMITTEE

Mr. Yi Xiaodi *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

JOINT COMPANY SECRETARIES

Dr. Ngai Wai Fung
Mr. Chow Chi Ming
(resigned on 3 March 2017)
Mr. He Jie
(appointed on 17 March 2017)

COMPANY'S WEBSITE

www.ss100.com.cn

AUTHORISED REPRESENTATIVES

Mr. Yi Xiaodi
Dr. Ngai Wai Fung

REGISTERED OFFICE

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KY1-9005
Cayman Islands

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Beijing 100026
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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28 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER

Morrison & Foerster LLP

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Everbright Bank
China Minsheng Banking Corp., Ltd
China CITIC Bank Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

LISTING INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 2608

Honors and Awards

In March 2016, the Group was honored among the "2016 China TOP 100 Real Estate Developers", "2016 Outstanding Light Asset Operation Company", "2016 China Specialized Real Estate Company – Street Complex" and "TOP 10 Developers in terms of Financing Capacity among the 2016 China Top 100 Real Estate Developers" by the China Real Estate TOP 10 Research Team.

2016 China TOP 100 Real Estate Developers

2016 Outstanding Light Asset Operation Company

2016 China Specialized Real Estate Company – Street Complex

TOP 10 Developers in terms of Financing Capacity among the 2016 China Top 100 Real Estate Developers

Honors and Awards

In May 2016, the Group was recognized among the "2016 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value" by the China Real Estate Top 10 Research Team.

2016 China Mainland TOP 10 Real Estate Company
Listed in Hong Kong by Investment Value

"China Real Estate TOP 10 Research Team", which is jointly formed by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of the Tsinghua University and the China Index Academy, established an evaluation system for the operation scale, capability of creating economic value added (EVA), investment value, financial soundness of enterprises, financing capability, operating efficiency and social responsibility. The Research Team has begun its operation since 2003 and conducted evaluation for 14 years, the results of which have become one of the important standards for investors to assess the comprehensive strength of listed real estate companies in China and explore the investment opportunities in the securities market.

In November 2016, the Group was recognized among the "2016 China Top 100 Players of The Commercial Real Estate" and honored with the "2016 China Innovation Award for Commercial Real Estate Operations" by Guandian Real Estate New Media.

2016 China Top 100 Players of The Commercial Real Estate

2016 China Innovation Award for Commercial Real Estate Operations

Chairman's Statement

Mr. Yi Xiaodi
Chairman and Executive Director

I am pleased to present the business review for the year ended 31 December 2016 (the "**Reporting Period**") and outlook of Sunshine 100 China Holding Ltd. (the "**Company**"or "**Sunshine 100**" and together with its subsidiaries, the "**Group**") to the shareholders of the Company.

RESULTS

During the Reporting Period, contracted sales amount increased by 39.1% to RMB10,417.5 million and contracted sales area increased by 23.4% to approximately 1,142,000 square metres. Revenue increased by 8.5% to RMB6,965.2 million. Due to the increase in selling expenses such as sales commissions and agency fees as a result of the significant increase in contracted sales amount, while majority of corresponding contracted sales income not yet recognized during the Reporting Period as well as the delivery of certain properties with lower gross profit, gross profit decreased by 7.2% to RMB1,084.5 million and gross profit margin decreased to 15.6%. The profit attributable to equity shareholders for the year decreased by 67.5% to RMB195.4 million. The Group optimized its financial structure and financing capacity by various means, including issuance of overseas convertible bonds and replacing high-cost loans from trusts and other financial institutions with low-cost domestic corporate bonds. As a result, the proportion of high-cost loans decreased from 38.3% in 2015 to 36.8%, the overall borrowing costs declined to 9.1% and the proportion of short-term debts in total interest-bearing debts dropped from 38.3% in 2015 to 31.9%.

REVIEW OF 2016

In 2016, in spite of the slowdown of Chinese economic growth, the housing market sentiment remained strong, and the sales area and amount of real estate reached 1,570,000,000 square metres and RMB11.8 trillion, hitting a historic high. The housing prices in first-tier cities and certain hot second-tier cities soared rapidly. Meanwhile, the government further intensified regulation. Ever since October of the last year, 28 cities in the PRC have promulgated nearly 80 new policies on regulation of real estate. The government is utilising means in terms of finance, land, taxation, investment and legislation in an all-round way and speeding up the study on establishment of fundamental systems and sustainable mechanisms that are in line with the national conditions and market laws, to restrain real estate bubble and prevent drastic fluctuations in the real estate market.

CONTINUOUSLY PROMOTED THE DEVELOPMENT OF KEY PRODUCTS "COMMERCIAL STREET COMPLEX" AND "PHOENIX COMMUNITY"

Adhering to the direction of transformation, the Group, on one hand, further consolidated the advantages of high profit, high turnover and low risk of its main commercial real estate product – Commercial Street Complex; on the other hand, carried out the upgrade of residential products through extending business focus from development to sale and service, and laid emphasis on the provision of diversified value added items for projects in the past year.

The development of commercial products of the Group proceeded smoothly, with the development, sale and commercial operation of all key Commercial Street Complex projects advancing orderly as scheduled. In 2016, for Yaobu Classic Town project, the Group fostered its popular atmosphere through various characteristic campaigns. Throughout the year, a total of 54 campaigns in different sizes were held, including 10 city-level campaigns with daily average participants exceeding 50,000, and attracted citizens of up to 4.72 million person-times. For example, during the National Day holiday, the project was backed with governmental resources to hold "Liuzhou International Water Carnival (柳州國際水上狂歡節)", which received over 650,000 people in seven days and promoted the opening of over 20 shops and the sales of shops with a total value of approximately RMB30 million. Meanwhile, the "Phoenix Market", a cultural creativity market created by the Group for Yaobu Classic Town project, has accumulatively attracted nearly 300,000 people, becoming a characteristic landmark campaign of this project, and building certain influence in the market. Yaobu Classic Town project has become an iconic attraction for the government of Liuzhou to showcase the urban culture of Liuzhou through external exchange and reception of visit. The Phoenix Street in Shenyang opened for business on 30 September and attracted nearly 40,000 person-times within one day. The project has become a lifestyle destination for the local and surrounding citizens. For Lijiang COART Village project, while holding theme campaigns with strong local characteristics, the Group continued cooperation with various external resources including cooperation with the School of Tourism Culture of Yunnan University in holding a graduation show and establishment of an experimental teaching base, cooperation with a photographic association in holding the "Asia Photography Festival", and cooperation with Yinglun Kindergarten in holding the "New Year Lawn Music Festival". In respect of the Yixing project, the Group continued to vigorously work on tenant recruitment and organised customer attraction activities. A tenant recruitment event was held in the Phoenix Street in August and attracted over 160 merchants and 190 property investors. In November, the "2016 First Yixing Danish Culture Season (2016首屆宜興丹麥文化季)" sponsored by the government was inaugurated, which further enhanced the brand awareness and market influence of Yixing Phoenix Street project, the undertaker of the campaign. In addition, the Group acquired Changzhou project in the year, which will be built into a commercial street complex. We plan to develop it into a business center and shared community in eastern Changzhou featuring three themes, i.e. sports, parent-child and social contact.

In respect of residential products, we further promoted the concept of "common living conditions generate new social needs" (共用居住衍生新的社交需求) for "Phoenix Community", the key product of Sunshine 100, to create a brand new living experience while fostering a distinctive community culture through common services. In 2016, we further advanced the development and sales of existing Phoenix Community products in a number of cities including Qingyuan, Changsha, Shenyang, Weifang and Wuhan. At the end of June, the "400-Box Community City (400盒子的社區城市)", a conceptual product designed by us in cooperation with "China House Vision (中國理想家)" by reference to "Qingyuan Phoenix Community", was exhibited at the Venice Architecture Biennale. In the same period, the products of Qingyuan Phoenix Community were launched for sale and recorded hot sales performances. During the National Day holiday, the project reached a sales amount of approximately RMB100 million. In October, the "Community Group Cultural Festival and Phoenix Community Group Launch Forum (社群文化節暨鳳凰社社群發佈論壇)" was held at Changsha Phoenix Community, marking the formal establishment of Changsha Phoenix Community Group. At the end of November, five buildings of Phase III C4 Phoenix Community of Shenyang Project, the first pilot project of Phoenix Community product, were delivered as scheduled. Besides, the Entrepreneur Club of Phoenix Community Villa, the representative villa project following the concept of Sunshine 100 "Social Community (社交型住區)" in Wuhan, was formally established in the past year, with the aim of building an information and resource sharing social ecosystem with the elements of community group culture among like-minded owners in the Phoenix Community.

Developed innovative product Themed Towns

In addition, the Group also integrated strong European cultural elements into the community to build innovative and characteristic towns featured by share, social contact, entertainment and interaction. In 2016, the Group continued to promote the sales of projects in Qingyuan, Wenzhou, Wuxi and Chongqing. Qingyuan Arles Town consists of diversified urban streets with a total area of 300,000 square metres, several or even ten times larger than that of other premises in northern Guangzhou, and the types of businesses include child-friendly space, youth cultural creativity platform, specialty stores, supermarket and catering. The sales of the project throughout the year amounted to RMB2.07 billion. Wenzhou Arles Project integrates ecological residence, holiday and rest, sports and leisure, investment and value maintenance, and other functions. On 19 November and 15 December of last year, this project was launched for sales twice, and the sales in 42 days from the first launch to the end of the year reached RMB930 million. Furthermore, for Wuxi Arles, the Group capitalized on the supporting facilities of International New Town and the street business of Arles Town with an area of 80,000 square metres to build a complex integrating rich types of business including leisure, entertainment, life, art and shopping. Chongqing Arles Town, located at Longzhouwan, Banan District, Chongqing, covers an area of 600 Mu and has a total gross floor area ("GFA") of 500,000 square metres. It is the sole pure villa project that is close to Nanshan Mountain, accessible to the light rail and adjacent to Wanda Plaza in Chongqing. The community is planned to have an open town block with a total GFA of 100,000 square metres and consisting of a number of business types including shopping, leisure, children training, parent-child entertainment, light travel and art education.

Steadily and progressively supplemented high-quality land reserves

In 2016, the Group further expanded the land reserves for core products and obtained quality project lands via low-cost equity investment or market acquisition, in particular the land parcels with development potentials in the Yangtze River Delta and Pearl River Delta, providing strong support for the Group to continue to promote its commercial projects and expand its business coverage. During the Reporting Period, major land reserves obtained by the Group included three land parcels in Wenzhou with a total GFA of 246,051 square metres, and Zone 7 Upper East Project in Changzhou. Situated at the superior location of the golden crossroad in Changzhou Economic Zone, the newly obtained Changzhou project covers an area of approximately 73,000 square metres, has a total GFA of approximately 250,000 square metres and is planned to be built into a street complex and shared community.

Continuously optimised capital structure

In 2016, the Company issued several tranches of corporate bonds in China, of which RMB3.0 billion was issued through non-public offering at coupon rates ranging from 7.4% to 8.4% and RMB1.46 billion through public offering at a coupon rate of 6.9%, and successfully issued a tranche of 5-year US$200 million convertible bonds overseas at a coupon rate of 6.5% with a yield to maturity of 8.5%. The coupon rate for such issue was almost halved as compared with the issue of US$215 million senior notes in 2014, thereby significantly lowering the Company's borrowing costs. Moreover, Sunshine 100 property management fee asset-backed securities were successfully issued, with an issue size of approximately RMB757 million and coupon rates ranging from 6.5% to 7.5%.

BUSINESS OUTLOOK

Since the beginning of this year, with the continued implementation of regulating policies including "implementation of policies depending on the actual conditions of cities" by the state, the market has seen significant changes and the housing price has continued to stabilise and fall. Insiders expect that the overall contracted sales by real estate companies will decrease in 2017, and the overall price in the real estate market will stabilise. Meanwhile, it is expected that the measures for stabilising the real estate market will be introduced on a continued basis and regulation will be implemented according to the actual conditions of different cities to intensify the regulation of both supply and demand. We believe that the stabilising market environment is conducive to the benign development of real estate enterprises, in particular those who have been a long-time player in the industry for many years and have high potential products, core competitiveness and clear development strategy.

As a real estate developer with focus on provincial capitals, regional economic centers or second-tier cities with high growth in all provinces, the Group possesses leading products with distinct characteristics and broad prospects including Commercial Street Complexes, Phoenix Community and Arles Towns. The experience accumulated in years of development in these market segments facilitates the Group to make full use of the opportunities brought about by the favourable market environment to further expand its product portfolio and business scale. We are committed to becoming a developer in the new economic era standing out of the homogenized product mode of the real estate market to satisfy the demands of market segments with precise product orientation, enhance value of properties with high-quality management services and improve quality of living of owners with soft power.

In 2017, by virtue of the real estate development capability of more than 20 years and the advantage in land reserves, the Group will strengthen its overall planning capacity, particularly in respect of planning differential complex products including Commercial Street Complex and Themed Town series, being flagship products of the Group, to build differential real estate products meeting consumption demands of the new era and to provide powerful support for strategic acquisition of lands at lows costs in key cities and regions. The Group will focus on its core products by putting great efforts in developing Themed Towns and Commercial Street Complexes in the cities with great demands represented by those in the Pearl River Delta and Yangtze River Delta, and continually launch highly cost-effective products with investment value. Town products will be equipped with standard supporting facilities and gain customer recognition. The stress on construction of community group culture and continued improvement of service quality will generate barriers to competition. In respect of Commercial Street Complex, further efforts will be made to give play to the intrinsic high investment value of products and the follow-up business operation ability will be constantly enhanced to satisfy the upgrade demands of cities.

Also, the Group will step up reforms in project management to strengthen its soft power. By removing the limitations in existing corporate structure and delegating managerial and decision-making power to first-line staff, the Group aims to encourage various business innovation and develop itself into a platform where everyone's talents are put to good use and to further raise its comprehensive operation level and efficiency by fully performing power and responsibilities. At the same time, the Group is going to push ahead with mechanism reforms: on one hand, divide large projects into different segments and delegate decision-making powers to relevant managers, on the other, streamline performance appraisal in respect of indicators and time and motivate self-advancement and initiative to increase sense of honor towards the Company. Moreover, to meet the demand of bidding for project operating rights, the Group has formulated and put forward a supporting plan for the deposits system in project management, pursuant to which, regional and project managers will co-invest in the project with different ratio, which is believed to be a greater boost to their initiative and performance.

In addition, the Group will continue enhancing sales advantage as one of its core competitive forces with more sales investment and systematic reforms. Last year, the Group spun off and operated its sales department as a company to improve the current sales system and the capability of sales personnel. Specifically, each of the project companies and the sales company enter into internal agency agreements on joint responsibilities for sales target, pricing, allotment and settlement of projects. This will not only solidify cooperation between the project department and the sales system, which brings down sales and operating cost but give full play to their initiative, thereby intensifying the core competitiveness of Sunshine 100. Meanwhile, the Group will create a business-starting platform in the sales system and guarantee secure power delegation to bolster sales staff's sense of responsibility and entrepreneurship, turning outside pressure into inside driving forces to build up the quality of sales personnel.

Lastly, on behalf of the board of directors of the Company, I would like to express my sincere gratitude to all the employees of the Group for their relentless efforts and to all the shareholders and clients for their strong support in the past year.

Yi Xiaodi
Chairman and Executive Director

29 March 2017

Corporate Milestones

March

Honored among the "2016 China TOP 100 Real Estate Developers", "2016 Outstanding Light Asset Operation Company", "2016 China Specialized Real Estate Company – Street Complex" and "TOP 10 Developers in terms of Financing Capacity among the 2016 China Top 100 Real Estate Developers" by the China Real Estate TOP 10 Research Team.

May

Honored among the "2016 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value" by the China Real Estate TOP 10 Research Team.

June

Sunshine 100 property management fee asset-backed securities were successfully issued, with an issue size of approximately RMB757 million and coupon rates ranging from 6.5% to 7.5%.

July

Successfully issued a tranche of offshore 5-year US$200 million convertible bonds with a coupon rate of 6.5% and a yield to maturity of 8.5%.

August

Acquired the land use rights of three land lots of Wenzhou Sunshine 100 Arle Project, with a total GFA of approximately 250,000 square metres at a total consideration of approximately RMB717 million.

November

Recognized among the"2016 China Top 100 Players of The Commercial Real Estate" and honored with the "2016 China Innovation Award for Commercial Real Estate Operations" by Guandian Real Estate New Media.

December

Acquired the Zone 7 Upper East Side Project in Changzhou with a site area of approximately 73,000 square metres and a total GFA of approximately 250,000 square metres.

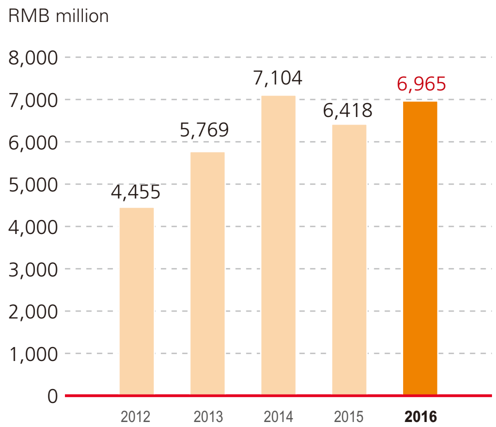
Financial Summary

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**6,965**	6,418	7,104	5,769	4,455
Gross profit	**1,084**	1,168	1,506	1,650	1,412
Profit before taxation	**539**	1,003	1,310	1,115	754
Income tax	**(308)**	(390)	(500)	(484)	(370)
Profit for the year	**231**	613	810	631	384
Profit for the year attributable to equity shareholders of the Company	**195**	601	767	672	301
Non-controlling interests	**36**	12	43	(41)	83
Total comprehensive income for the year	**219**	610	810	631	384

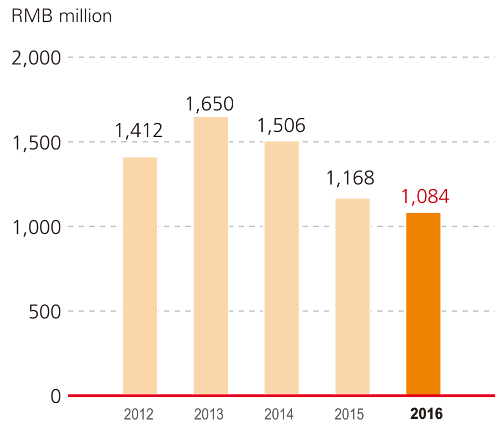
	As at 31 December				
	2016	2015	2014	2013	2012
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total assets	**53,088**	43,139	35,071	27,903	22,510
Total liabilities	**45,406**	35,637	29,555	25,152	20,670
Net assets	**7,682**	7,502	5,516	2,751	1,840
Equity attributable to equity shareholders of the Company	**6,239**	6,196	4,620	1,992	1,320
Non-controlling interests	**1,443**	1,306	896	759	520
Total equity	**7,682**	7,502	5,516	2,751	1,840

Financial Summary

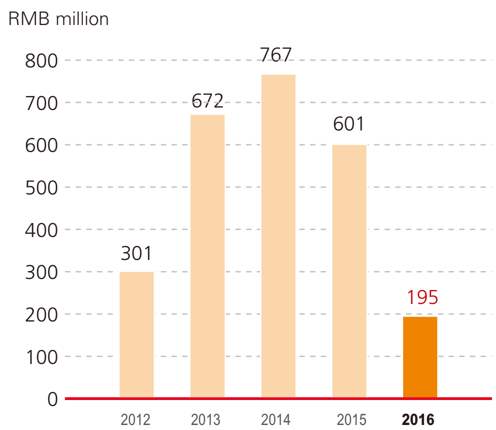
Revenue



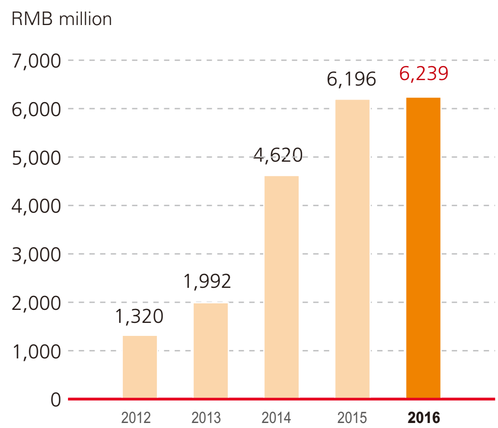
Gross profit



Profit for the year attributable to equity shareholders of the Company



Equity attributable to equity shareholders of the Company



Management Discussion and Analysis

BUSINESS REVIEW

(1) Property Development

Contracted Sales

During the Reporting Period, the Group realized contracted sales in the amount of RMB10,417.5 million, representing an increase of 39.1% from 2015, and contracted sales area in the amount of 1,141,853 square metres, representing an increase of 23.4% from 2015. Among which, contracted sales generated from residential properties amounted to RMB8,840.8 million, representing an increase of 50.0% from 2015, and the contracted sales area amounted to 1,074,674 square metres, representing an increase of 28.2% from 2015. The regions where contracted sales were generated from were evenly distributed, among which, contributions from Qingyuan, Wuxi and Wuhan projects were more significant, with the contracted sales being RMB2,072.6 million, RMB1,638.1 million and RMB1,325.0 million respectively, accounting for 19.9%, 15.7% and 12.7% of the total contracted sales of the Group, respectively. Moreover, the Group's average unit selling price for contracted sales was RMB8,584/square metre, representing an increase of 8.4% from 2015.

Contracted sales of the Group by geographic location during the Reporting Period were as follows:

			For the year ended 31 December					
Economic area	**City**	**Project**	**Contracted sales area** *(square metres)*[1]		**Contracted sales amount** *(RMB million)*[2]		**Unit selling price** *(RMB/square metre)*[1]	
			2016	2015	**2016**	2015	**2016**	2015
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	**209,091**	153,230	**1,638**	1,055	**7,834**	6,885
	Wenzhou	Sunshine 100 Wenzhou Center	**33,437**	21,546	**688**	401	**20,576**	18,611
		Wenzhou Sunshine 100 Arles	**107,533**	–	**934**	–	**8,686**	–
	Yixing	Yixing Sunshine 100 Phoenix Street	**7,132**	8,655	**221**	278	**30,987**	32,120
	Sub-total		**357,193**	183,431	**3,481**	1,734	**9,745**	9,453

Economic area	City	Project	Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
			For the year ended 31 December					
			2016	2015	**2016**	2015	**2016**	2015
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	**137,793**	117,774	**1,325**	880	**9,231**	7,387
	Chongqing	Chongqing Sunshine 100 International New Town	**30,182**	10,119	**626**	118	**20,476**	10,871
		Chongqing Sunshine 100 Arles	**37,525**	–	**341**	–	**8,314**	–
	Changsha	Changsha Sunshine 100 International New Town	**56,960**	39,828	**537**	417	**8,954**	10,068
	Liuzhou	Liuzhou Sunshine 100 Yaobu Classic Town	**8,097**	8,162	**197**	263	**21,860**	30,630
	Chengdu	Chengdu Sunshine 100 Mia Centre	**7,106**	21,149	**110**	263	**13,510**	11,774
	Nanning	Nanning Sunshine 100 Upper East Side International	**-**	156	**28**	11	**-**	–
	Lijiang	Lijiang Sunshine 100 COART Village	**868**	3,481	**16**	68	**18,433**	19,535
	Guilin	Guilin Sunshine 100 Lijiang Project	**31**	3,612	**1**	32	**24,225**	8,859
	Sub-total		**278,562**	204,281	**3,181**	2,052	**10,777**	9,693
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles (formerly named as "Qingyuan Mango Town")	**311,864**	204,606	**2,073**	1,160	**6,538**	5,621
	Sub-total		**311,864**	204,606	**2,073**	1,160	**6,538**	5,621

Economic area	City	Project	Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
			For the year ended 31 December					
			2016	2015	**2016**	2015	**2016**	2015
Bohai Rim	Shenyang	Shenyang Sunshine 100 International New Town	**111,935**	168,642	**765**	1,121	**6,629**	6,558
		Shenyang Sunshine 100 Golf Mansion	**21,861**	21,140	**123**	101	**5,535**	4,730
	Jinan	Jinan Sunshine 100 International New Town	**7,258**	81,004	**268**	912	**11,022**	10,851
	Dongying	Dongying Sunshine 100 City Garden	**33,937**	40,454	**224**	254	**6,512**	6,279
	Weifang	Weifang Sunshine 100 City Plaza	**19,243**	21,361	**117**	120	**6,028**	5,477
	Tianjin	Tianjin Sunshine 100 International New Town	**–**	221	**185**	38	**–**	22,624
	Sub-total		**194,234**	332,822	**1,682**	2,546	**6,590**	7,394
Total			**1,141,853**	925,140	**10,417**	7,492	**8,584**	7,918

Notes:

(1) Excluding car parks

(2) Including car parks

Contracted sales of the Group by type of business during the Reporting Period were as follows:

	For the year ended 31 December					
	Contracted sales area *(square metres)*[(1)]		**Contracted sales amount** *(RMB million)*[(2)]		**Unit selling price** *(RMB/square metre)*[(1)]	
Type	**2016**	2015	**2016**	2015	**2016**	2015
Residential properties	**1,074,674**	838,156	**8,841**	5,894	**8,227**	7,032
Commercial properties and car parks	**67,179**	86,984	**1,576**	1,598	**14,305**	16,451
Total	**1,141,853**	925,140	**10,417**	7,492	**8,584**	7,918

Proportion				
Residential properties	**94%**	91%	**85%**	79%
Commercial properties and car parks	**6%**	9%	**15%**	21%
Total	**100%**	100%	**100%**	100%

Notes:

(1) Excluding car parks

(2) Including car parks

Property Construction

During the Reporting Period, the Group's newly-started GFA was 1,558,192 square metres, representing a decrease of 18.2% from 2015. The completed GFA was 1,702,910 square metres, representing an increase of 138.0% from 2015, mainly due to the acceleration of asset turnover by the Company and the large quantity of completion of certain projects in 2016 which commenced construction in prior years.

The status of property construction of the Group during the Reporting Period was as follows:

		2016		
Economic area	**City**	**Newly-started total GFA** *(square metres)*	**Completed total GFA** *(square metres)*	**Total GFA under construction as at the end of the period** *(square metres)*
Bohai Rim	Jinan	–	145,961	115,701
	Shenyang	58,758	133,065	286,733
	Dongying	2,973	67,776	80,208
	Weifang	–	–	151,827
	Sub-total	**61,731**	**346,802**	**634,469**
Yangtze River Delta	Wuxi	292,714	254,385	363,651
	Wenzhou	667,202	–	1,146,944
	Yixing	1,139	110,611	–
	Sub-total	**961,055**	**364,996**	**1,510,595**
Pearl River Delta	Qingyuan	480,351	330,258	713,261
	Sub-total	**480,351**	**330,258**	**713,261**

Economic area	City	2016 Newly-started total GFA *(square metres)*	Completed total GFA *(square metres)*	Total GFA under construction as at the end of the period *(square metres)*
Midwest	Wuhan	–	312,895	120,316
	Chongqing	53,500	108,293	174,314
	Chengdu	–	143,978	–
	Changsha	1,555	–	118,555
	Guilin	–	–	42,116
	Liuzhou	–	60,327	–
	Lijiang	–	35,361	32,932
	Sub-total	**55,055**	**660,854**	**488,233**
Total		**1,558,192**	**1,702,910**	**3,346,558**

Management Discussion and Analysis

Breakdown of Major Properties

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	No. 19 Yangguang New Road, Huaiyin District, Jinan City, Shandong Province			77,806	115,701	246,046	49.00%
		Phase I				1,542	–	–	
		Phase II				9,969	–	–	
		Phase III				19,208	–	–	
		Phase IV				23,730	–	–	
		Phase V		2017	81%	23,357	115,701	122,608	
		Phase VI				–	–	123,438	
	Shenyang	Shenyang Sunshine 100 International New Town	Yuhong New Town, Yuhong District, Shenyang City, Liaoning Province			158,225	268,058	383,144	100.00%
		Phase I				24,485	–	–	
		Phase II				57,245	–	–	
		Phase III		2018	51%	76,495	268,058	383,144	
		Shenyang Sunshine 100 Golf Mansion	No. 18 Qi Hao Street, Economics and Technology Development District, Shenyang City, Liaoning Province			100,260	18,676	18,456	51.00%
		Phase I				49,945	–	–	
		Phase II, Phase III		2018	69%	50,315	18,676	18,456	
	Tianjin	Tianjin Sunshine 100 International New Town	Hongqi South Road, Nankai District, Tianjin City			128,536	–	–	86.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
	Dongying	Dongying Sunshine 100 City Garden	No. 248 North 1st Road, Dongying District, Dongying City, Shandong Province			33,394	80,208	8,384	100.00%
		Phase I				3,144	–	–	
		Phase II				21,377	–	–	
		Phase III		2018	59%	8,873	80,208	8,384	
	Weifang	Weifang Sunshine 100 City Plaza	No. 5051 Shengli East Street, Kuiwen District, Weifang City, Shandong Province			38,050	151,827	1,364,935	100.00%
		Phase I				38,050	–	–	
		Phase II		2017	83%	–	151,827	–	
		Phase III				–	–	478,382	
		Phase IV				–	–	423,573	
		Phase V				–	–	462,980	
	Yantai	Yantai Sunshine 100 City Plaza	Nos. 25–27 Haigang Road, Zhifu District, Yantai City, Shandong Province			10,262	–	327,249	100.00%
		Phase I				10,262	–	–	
		Phase II				–	–	327,249	
	Subtotal					**546,533**	**634,470**	**2,348,214**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	No. 2 Yangqiaohu Avenue, Canglong Island, Jiangxia District, Wuhan City, Hubei Province			112,906	120,316	–	100.00%
		Phase I				652	–	–	
		Phase II				13,614	–	–	
		Phase III				9,476	–	–	
		Phase IV				8,621	–	–	
		Phase V				21,255	–	–	
		Phase VI				59,288	–	–	
		Phase VII		2017	77%	–	120,316	–	
	Chongqing	Chongqing Sunshine 100 International New Town	Nanbin Road, Nan'an District, Chongqing City			6,071	120,814	716,880	100.00%
		Phase I				6,071	–	–	
		Phase II		2017	79%	–	120,814	716,880	
		Chongqing Sunshine 100 Arles	No. 163 Yunan Road, Banan District, Chongqing City			46,670	53,501	236,122	45.00%
		Phase I				46,670	–	–	
		Phase II		2018	33%	–	53,501	184,325	
		Phase III				–	–	51,797	
	Chengdu	Chengdu Sunshine 100 Mia Centre	No. 6 Wugui Road, Chenghua District, Chengdu City, Sichuan Province			72,177	–	–	100.00%
		Phase I				28,312	–	–	
		Phase II				43,865	–	–	
		Xin Sheng Yuan Project	Keyuan South 2nd Road, High-tech Zone, Chengdu City, Sichuan Province			–	–	20,000	100.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
	Changsha	Changsha Sunshine 100 International New Town	No. 518 Section One, 2nd South Ring Road, Yuelu District, Changsha City, Hunan Province			54,109	118,555	148,701	100.00%
		Phase I				7,074	–	–	
		Phase II				29,850	–	–	
		Phase III				15,170	–	–	
		Phase IV		2018	51%	2,015	118,555	148,701	
	Guilin	Guilin Sunshine 100 Lijiang Project	Pingle Town, Pingle County, Guilin City, Guangxi Zhuang Autonomous Region			–	39,780	83,162	75.00%
		Phase I				–	528	54,120	
		Phase II		2018	79%	–	20,899	3,882	
		Phase III		2018	64%	–	18,353	25,160	
		Guilin Sunshine 100 Scape Project	Ertang Township, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region			–	2,336	236,723	100.00%
	Liuzhou	Liuzhou Sunshine 100 City Plaza	No. 2 Guizhong Avenue, Liuzhou City, Guangxi Zhuang Autonomous Region			46,828	–	–	75.00%
		Phase I				10,128	–	–	
		Phase II				14,421	–	–	
		Phase III				4,319	–	–	
		Phase IV				17,960	–	–	
		Liuzhou Sunshine 100 Yaobu Classic Town	No. 9 Panlong Road, Liuzhou City, Guangxi Zhuang Autonomous Region			123,298	–	–	98.75%
		Phase I				40,303	–	–	
		Phase II				10,975	–	–	
		Phase III				72,020	–	–	

Management Discussion and Analysis

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
	Nanning	Nanning Sunshine 100 City Plaza	No. 63–1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			23,182	–	92,230	100.00%
		Phase I				23,182	–	–	
		Phase II				–	–	92,230	
		Nanning Sunshine 100 Upper East Side International	No. 166 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			49,398	–	–	26.01%
		Nanning Vantone Air Garden	No. 80 Renmin West Road, Nanning City, Guangxi Zhuang Autonomous Region			2,751	–	–	100.00%
		Nanning Sunshine 100 Mountainside Garden	Nos. 1–2 Yinghua Road, Nanning City, Guangxi Zhuang Autonomous Region			10,698	–	–	51.00%
		Nanning Sunshine 100 Australian Garden	No. 8 Qingshan Road, Nanning City, Guangxi Zhuang Autonomous Region			518	–	–	50.00%
	Lijiang	Lijiang Sunshine 100 COART Village	Kaiwen Community and Longquan Community, Shuhe Street, Lijiang City, Yunnan Province	2018	40%	31,459	32,932	135,874	51.00%
	Subtotal					**580,065**	**488,234**	**1,669,692**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	No. 1 Tianyi New Street, Xizhang, Yanqiao Town, Huishan District, Wuxi City, Jiangsu Province			331,542	363,651	411,044	100.00%
		Phase I				88,998	–	–	
		Phase II				64,203	–	–	
		Phase III				18,859	–	–	
		Phase IV				127,795	–	132,171	
		Phase V		2019	1%	27,973	161,692	–	
		Phase VI		2019	40%	3,714	201,959	278,873	
	Yixing	Yixing Sunshine 100 Phoenix Street	East Jiefang Road, Chengdong New District, Yixing City, Jiangsu Province			64,676	–	–	80.00%
	Wenzhou	Sunshine 100 Wenzhou Center	Binjiang Qidu, Lucheng District, Wenzhou City, Zhejiang Province			–	479,742	–	51.00%
		Phase I		2018	48%	–	82,909	–	
		Phase II(A)		2021	14%	–	268,090	–	
		Phase II(B)		2019	22%	–	128,743	–	
		Wenzhou Sunshine 100 Arles	Yangyi Road, Lucheng District, Wenzhou City, Zhejiang Province			–	667,202	246,051	51.00%
		Phase I		2019	19%	–	227,590	–	
		Phase II		2020	14%	–	439,612	246,051	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	No. 166, Dongfang East Road, Changzhou Economic Development Zone, Jiangsu Province			–	–	249,729	60.00%
	Subtotal					**396,218**	**1,510,595**	**906,824**	
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	N24 Area, Po Keng Lian Tai Industry City, Long Tang Town, Qing Cheng District, Qingyuan City, Guangdong Province			120,921	713,261	2,069,004	55.00%
		Phase I				36,353	–	–	
		Phase II		2017	76%	84,568	198,684	–	
		Phase III		2019	44%	–	514,577	97,156	
		Phase IV				–	–	1,971,848	
	Subtotal					**120,921**	**713,261**	**2,069,004**	
Overseas	Saipan	Saipan Wing Beach Project	Wing Beach, Saipan Island, Northern Mariana Islands			–	–	120,000	51.00%
	Subtotal					**-**	**-**	**120,000**	
	Total					**1,643,737**	**3,346,560**	**7,113,734**	

Notes:

(1) Expected completion date and completion progress are applicable to projects under development, but not applicable to those completed or to be developed.

(2) Completion progress represents the overall completion progress as at 31 December 2016.

(3) The completed investment properties with a gross total GFA of approximately 438,415 square metres is excluded in this table.

(4) The self-operated commercial areas of Weifang Sunshine 100 City Plaza and Shenyang Sunshine 100 Golf Mansion with a total GFA of approximately 15,735 square metres, the self-operated hotels of Jinan Sunshine 100 International New Town, Liuzhou Sunshine 100 City Plaza and Shenyang Sunshine 100 Golf Mansion Sunshine with a total GFA of approximately 70,014 square metres, and the sharing office space of Wuxi Sunshine 100 International New Town, Chengdu Sunshine 100 Mia Centre and Yantai Sunshine 100 City Plaza with a total GFA of approximately 20,120 square metres are not included in this table.

(2) Investment properties

During the Reporting Period, the Group had new investment properties with a GFA of 3,928 square metres. In the meantime, the GFA of investment properties in the previous year decreased by 8,698 square metres. For the year ended 31 December 2016, the GFA of investment properties completed and under construction held by the Group was 524,996 square metres and the planned GFA of the investment properties held for future development was 120,000 square metres. Moreover, during the Reporting Period, the rental income was RMB103.0 million, representing a decrease of 10.7% as compared to 2015.

Breakdown of Investment Properties

Economic area	City	Project	Properties	Use	Leasing period
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	Part of shopping mall, Phase IV	Commercial	Short, medium and long term
			Kindergarten, Phase III	Kindergarten	Long term
	Shenyang	Shenyang Sunshine 100 International New Town	Part of commercial portion, Phase I	Commercial	Short, medium and long term
			Part of commercial portion, Phase II	Commercial	Short, medium and long term
			Kindergarten, D13 building, Phase II	Kindergarten	Long term
			Part of commercial portion, Phase III	Commercial	Short, medium and long term
	Tianjin	Tianjin Sunshine 100 International New Town	Part of community commercial portion	Commercial	Short and medium term
	Dongying	Dongying Sunshine 100 City Garden	A4 Kindergarten	Kindergarten	Long term
	Weifang	Weifang Sunshine 100 City Plaza	Part of commercial portion, Blocks 5–8, Phase I	Commercial	Short, medium and long term
	Yantai	Yantai Sunshine 100 City Plaza	Unsold part of office portion	Office	Short, medium and long term
			Part of shopping mall	Commercial	Short, medium and long term

Management Discussion and Analysis

Economic area	City	Project	Properties	Use	Leasing period
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	Part of commercial portion, Block F53, Phase IV	Commercial	Medium and long term
	Chongqing	Chongqing Sunshine 100 International New Town	Part of community commercial portion	Commercial	Short and medium term
			Hima Alaya Block E2	Service apartment	Under development
	Chengdu	Chengdu Sunshine 100 Mia Centre	Part of underground commercial portion	Commercial	Medium and long term
	Changsha	Changsha Sunshine 100 International New Town	Part of commercial portion, Blocks 52–56, Phase III	Commercial	Medium and long term
	Liuzhou	Liuzhou Sunshine 100 City Plaza	Part of commercial portion	Commercial	Short, medium and long term
			Level 1, Block 33	Kindergarten	Long term
		Liuzhou Sunshine 100 Yaobu Classic Town	Part of Land Parcel A reserved	Commercial and hotels	Short and medium term
			Part of Land Parcel B reserved	Commercial and hotels	Vacant
		Liuzhou Sunshine 100 Classical Era	Kindergarten	Kindergarten	Long term
	Guilin	Yangshuo Sunshine 100 West Street Square[1]	Part of commercial portion	Commercial	Medium and long term
	Nanning	Nanning Sunshine 100 City Plaza	Part of commercial portion	Commercial	Short, medium and long term
		Nanning Vantone Air Garden	Part of commercial portion	Commercial	Short term
		Nanning Sunshine 100 Mountainside Garden[2]	Clubhouse	Commercial	Medium term
		Nanning Sunshine 100 Australian Garden[3]	Clubhouse	Commercial	Medium term
		Nanning Sunshine 100 European Garden	Clubhouse	Commercial	Medium term
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	Part of Commercial portion, Tianyi Street, Phase V	Commercial	Long term
	Yixing	Yixing Sunshine 100 Phoenix Street	Part of commercial portion	Commercial	Medium and long term
	Wenzhou	Sunshine 100 Wenzhou Center	Part of aboveground commercial portion	Commercial	Under development
Overseas	Saipan	Saipan Wing Beach Project	Whole project	Commercial	Held for future development

Notes:

(1) The interest attributable to the Group was 75%.

(2) The interest attributable to the Group was 51%.

(3) The interest attributable to the Group was 50%.

(3) Land Acquisition

During the Reporting Period, the Group paid an aggregate amount of RMB1,181.1 million for various land premiums and related expenses, which included the land premiums and related expenses for Wenzhou Sunshine 100 Arles in an amount of RMB746.7 million and the land premiums and related expenses for Chongqing Sunshine 100 International New Town in an amount of RMB182.5 million.

Breakdown of the land reserves of the Group at the end of the Reporting Period was as follows:

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Bohai Rim	Weifang	1,574,915	12%	1,574,915	16%
	Shenyang	1,049,032	8%	971,662	10%
	Jinan	512,406	4%	251,079	3%
	Yantai	403,028	3%	403,028	4%
	Dongying	124,080	1%	124,080	1%
	Tianjin	143,997	1%	123,837	1%
	Sub-total	**3,807,458**	**29%**	**3,448,601**	**35%**
Midwest	Chongqing	1,199,684	9%	1,014,723	10%
	Wuhan	238,201	2%	238,201	2%
	Guilin	374,422	3%	340,582	4%
	Changsha	326,124	3%	326,124	3%
	Liuzhou	281,653	2%	248,601	3%
	Nanning	214,648	2%	169,872	2%
	Chengdu	105,934	1%	105,934	1%
	Lijiang	200,265	2%	102,135	1%
	Sub-total	**2,940,931**	**24%**	**2,546,172**	**26%**

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Yangtze River Delta	Wenzhou	1,392,995	11%	710,428	7%
	Wuxi	1,133,635	9%	1,133,635	12%
	Changzhou	249,729	2%	149,838	2%
	Yixing	100,381	1%	80,305	1%
	Sub-total	**2,876,740**	**23%**	**2,074,206**	**22%**
Pearl River Delta	Qingyuan	2,903,186	23%	1,596,752	16%
	Sub-total	**2,903,186**	**23%**	**1,596,752**	**16%**
Northern Mariana Islands	Saipan	120,000	1%	61,200	1%
	Sub-total	**120,000**	**1%**	**61,200**	**1%**
Total		**12,648,315**	**100%**	**9,726,931**	**100%**

FINANCIAL PERFORMANCE

Revenue

During the Reporting Period, the Group's revenue increased by 8.5% to RMB6,965.2 million in 2016 from RMB6,418.2 million in 2015 mainly due to an increase in our income from sale of properties.

Income from sale of properties

During the Reporting Period, revenue generated from the sale of properties increased by 9.0% to RMB6,519.9 million in 2016 from RMB5,984.0 million in 2015, mainly due to the higher average selling price of properties delivered as compared to 2015.

	For the year ended 31 December					
	Sales area *(square metres)*(1)		Sales income *(RMB million)*(2)		Unit selling price *(RMB/square metre)*(1)	
Type	**2016**	2015	**2016**	2015	**2016**	2015
Residential properties	**760,006**	796,177	**5,297**	4,982	**6,969**	6,258
Commercial properties and car parks	**40,001**	53,862	**1,223**	1,002	**18,484**	15,948
Total	**800,007**	850,039	**6,520**	5,984	**7,545**	6,872
Proportion						
Residential properties	**95%**	94%	**81%**	83%		
Commercial properties and car parks	**5%**	6%	**19%**	17%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks

(2) Including car parks

Income from property management and hotel operation

During the Reporting Period, revenue generated from property management and hotel operation of the Group increased by 7.4% to RMB342.3 million in 2016 from RMB318.8 million in 2015, primarily due to an increase in the area under property management of the Group.

Rental income from investment properties

During the Reporting Period, rental income from investment properties of the Group decreased by 10.7% to RMB103.0 million in 2016 from RMB115.4 million in 2015, primarily due to the Group's adjustment to the positioning and business type of certain rental properties and failure of renewal of relevant leases upon expiry.

Cost of sales

During the Reporting Period, the cost of sales of the Group increased by 12.0% to RMB5,880.7 million in 2016 from RMB5,249.7 million in 2015. Cost of sales of properties increased by 12.2% to RMB5,537.8 million in 2016 from RMB4,937.6 million in 2015, primarily due to the increase in average unit cost of properties delivered as compared to the last year. Cost of property management and hotel operation increased by 9.9% to RMB342.9 million in 2016 from RMB312.1 million in 2015, primarily due to the additional cost incurred as a result of the increase in the area under property management of the Group.

Gross profit

As a result of the foregoing, during the Reporting Period, our gross profit decreased by 7.2% to RMB1,084.5 million in 2016 from RMB1,168.5 million in 2015. Our gross profit margin decreased by 2.6 percentage points to 15.6% in 2016 from 18.2% in 2015 primarily due to an increase in the proportion of delivered properties with lower gross profit margin.

Valuation gains on investment properties

During the Reporting Period, valuation gains on investment properties of the Group increased by 57.5% to RMB910.9 million in 2016 from RMB578.2 million in 2015 mainly attributable to an increase in the appraised unit price of investment properties and the increase in the valuation of existing investment properties under construction as they progressed to completion.

Selling expenses

During the Reporting Period, the Group's selling expenses increased by 36.8% to RMB787.7 million in 2016 from RMB576.0 million in 2015, mainly attributable to an increase in the commission and agency fee paid to the sales team due to a significant rise in the contracted sales of the Group.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group increased by 13.3% to RMB458.1 million in 2016 from RMB404.3 million in 2015, mainly attributable to an increase in employee wages and benefits as compared to 2015 as a result of the increase in the number of staff caused by the acquisition of subsidiaries in the second half of 2015.

Finance costs

During the Reporting Period, finance costs of the Group increased by 99.6% to RMB341.8 million in 2016 from RMB171.2 million in 2015, mainly attributable to an increase in interest-bearing liabilities of the Group, the negative impact of the change in the exchange rate of RMB versus US dollar on the offshore US dollar denominated bonds in 2016 and change in the fair value of the derivative components of the convertible bonds.

Income tax

During the Reporting Period, the income tax expenses of the Group decreased by 20.9% to RMB308.1 million in 2016 from RMB389.6 million in 2015, mainly attributable to a decrease in the profit before tax of the Group.

Profit for the year

During the Reporting Period, the profit for the year of the Group decreased by 62.3% to RMB231.4 million in 2016 from RMB613.0 million in 2015.

Profit attributable to equity shareholders of the Company

Based on the above mentioned factors, the profit attributable to equity shareholders of the Company decreased by 67.5% to RMB195.4 million in 2016 from RMB600.6 million in 2015.

WORKING CAPITAL, FINANCE AND CAPITAL RESOURCES

Cash and cash equivalents

As at 31 December 2016, the Group had approximately RMB4,467.7 million in cash and cash equivalents, representing an increase of RMB3,142.5 million as compared to that of 2015. The increase was mainly due to receipts from contracted sales and an increase in interest-bearing liabilities.

Current ratio, gearing ratio and net gearing ratio

As at 31 December 2016, the Group's current ratio increased to 177.5% from 167.7% as at 31 December 2015. As at 31 December 2016, the Group's current assets increased from RMB32,424.0 million as at 31 December 2015 to RMB41,102.5 million, while current liabilities increased to RMB23,156.3 million from RMB19,339.8 million as at 31 December 2015.

As at 31 December 2016, the Group's gearing ratio (which is total interest-bearing liabilities divided by total assets) increased to 50.4% from 45.8% as at 31 December 2015. Net gearing ratio (which is total interest-bearing liabilities minus cash and cash equivalents and current restricted deposits, divided by total equity) increased by approximately 28.1 percentage points to 264.6% from 236.5% as at 31 December 2015, mainly attributable to an increase in interest-bearing liabilities.

Contingent liabilities

During the Reporting Period, the Group entered into agreements with certain banks to provide guarantees for the mortgage loans of purchasers of its properties. As at 31 December 2016, the Group provided guarantees for mortgage loans in an amount of RMB5,774.2 million (31 December 2015: RMB5,317.6 million) to banks in respect of such agreements.

Loans and borrowings and pledged assets

As at 31 December 2016, the Group had total loans and borrowings of RMB26,752.5 million, of which RMB8,551.5 million, RMB7,622.5 million, RMB8,277.1 million and RMB2,301.4 million are payable within one year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively. The Group's borrowings are denominated in Renminbi and US dollar, mostly with fixed interest rate. As at 31 December 2016, the Group had comprehensive credit facilities granted by bank and other financial institutions for an amount of RMB9,000.0 million, in which RMB7,603.6 million has not been utilized. The Group currently has no interest rate hedging policy. However, the management will monitor the interest rate risks and consider taking other necessary actions if any material risks are expected.

As at 31 December 2016, the Group had pledged properties and restricted deposits with a carrying value of RMB14,789.0 million (31 December 2015: RMB12,514.7 million) to secure banking facilities granted to the Group.

Capital commitment

As at 31 December 2016, the Group's contracted capital commitment for properties under development and investment properties under construction not provided for in the financial statements was approximately RMB3,355.9 million (31 December 2015: approximately RMB2,686.0 million). Approved but not contracted capital commitment of the Group was approximately RMB5,939.0 million as at 31 December 2016 (31 December 2015: approximately RMB4,300.2 million).

Foreign exchange exposure

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "**PBOC**") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in Renminbi, while certain bank deposits and loans are denominated in the HK dollar and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposures but may adopt hedging measures in the future.

MAJOR ACQUISITIONS AND DISPOSALS

Deemed acquisition of Chongqing Jiadao Real Estate Development Co., Ltd. ("Chongqing Jiadao") and shareholders' loan thereof

On 24 June 2015, Sunshine 100 Real Estate Group Co., Ltd. ("**Sunshine 100 Group**"), a wholly-owned subsidiary of the Company, Zhuhai Kaixin Nongpi Investment Partnership (Limited Partnership), Chongqing Jufu Investment Holding (Group) Co., Ltd. and Chongqing Jiadao entered into an equity transfer agreement, pursuant to which, Chongqing Jufu Investment Holding (Group) Co., Ltd. agreed to sell and Sunshine 100 Group and Zhuhai Kaixin Nongpi Investment Partnership (Limited Partnership) agreed to buy 45% and 15% interest in Chongqing Jiadao, respectively. The total consideration paid by Sunshine 100 Group for the acquisition of the interest in Chongqing Jiadao is RMB9,000,000. Sunshine 100 Group agreed to provide Chongqing Jiadao with RMB210,000,000 of shareholder's loan. Since the equity transfer agreement was completed in August 2015, Chongqing Jiadao has become an associate (rather than a subsidiary) of the Company. On 21 March 2016, Chongqing Jiadao amended the articles of association, pursuant to which, Sunshine 100 Group was entitled to appoint three out of five directors of the board of directors of Chongqing Jiadao. Upon the appointment of the additional director by Sunshine 100 Group, the Group controls the composition of the majority of the members of the board of directors of Chongqing Jiadao. As a result, Chongqing Jiadao became a subsidiary of the Company. In this regard, Sunshine 100 Group has not paid additional consideration. When aggregated together with the equity transfer agreement, the consolidation of Chongqing Jiadao into the Group as a subsidiary shall be a deemed acquisition by the Company. For further details on the deemed acquisition, please refer to the announcement of the Company dated 21 March 2016.

Acquisition of land use rights in Wenzhou

On 4 August 2016 and on 5 August 2016, Wenzhou Shihe Shengtaicheng Development Co. Ltd. (溫州世和生態城開發有限公司), a non-wholly-owned subsidiary of the Company, has successfully bid for the land use rights of three land lots located in Linli, Lucheng District of Wenzhou City, Zhejiang Province, at a consideration of RMB212.13 million, RMB21.28 million and RMB483.52 million respectively, through the listing-for-sale process held by Wenzhou Administration Public Resources Exchange and Management Centre (溫州市行政審批與公共資源交易服務管理中心) for transfer of state-owned land use rights. For details, please refer to the announcements of the Company dated 4 August 2016 and 5 August 2016.

Investment in Wuhu Zhongtou Huayang Investment Centre (Limited Partnership) ("Partnership")

On 25 November 2016, Sunshine 100 Group, a wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Zhongtou Lianghua Investment Funds Management (Beijing) Co., Ltd. (中投量化投資基金管理（北京）有限公司) ("**Zhongtou Lianghua**") and Zhongrong International Trust Co., Ltd ("**Zhongrong Trust**") to form the Partnership. The Partnership is principally engaged in investment in enterprises. The total capital commitment to the Partnership amounts to RMB1,350,100,000, of which Zhongtou Lianghua, Zhongrong Trust and Sunshine 100 Group will contribute RMB100,000, RMB950,000,000 and RMB400,000,000, respectively, representing approximately 0.00741%, 70.36516% and 29.62743% of the total commitment, respectively. For details, please refer to the announcement of the Company dated 25 November 2016.

Save as disclosed above, the Company had no other major investments, acquisitions and disposals during the Reporting Period.

HUMAN RESOURCE

As at 31 December 2016, the Group employed a total of 4,616 employees (31 December 2015: 4,511 employees). The staff costs of the Group were RMB492.0 million for the year ended 31 December 2016 (2015: RMB442.7 million). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to the basic salary, year-end bonuses are offered to staff with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees' skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. We have established a regular assessment mechanism to assess the performance of our employees. The assessment results are used as the basis for determining salary increment, bonuses and promotions. As required by laws and regulations in China, we make contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of our employees in China. For the year ended 31 December 2016, we made contributions in an aggregate of approximately RMB31.2 million to the employee retirement scheme.

EVENTS AFTER THE REPORTING PERIOD

Since 31 December 2016 and up to the date of this annual report, there were no subsequent events that would have a material effect on the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yi Xiaodi (易小迪), aged 53, is the Chairman of the Board of Directors of the Company, the pioneer founder, an executive Director and the Chairman of the Company's nomination committee, and is in charge of the corporate strategy of the Group. Mr. Yi resigned as the Chief Executive Officer of the Company on 25 August 2016. Mr. Yi was appointed as an executive Director by the Company on September 20, 2007. Mr. Yi has extensive experience in the real estate development industry in China. In 1992, Mr. Yi established Guangxi Vantone Enterprise Development Company in Guangxi, which established Guangxi Vantone in 1994. He established the "Sunshine 100" brand in 2000 through the development of the Sunshine 100 International Apartment project (陽光100國際公寓) in Beijing. He received an award for being a leader in real estate innovation in Beijing (北京地產創新領袖人物) from sina.com (新浪網) in 2003, an award for being one of China's influential persons during China's 10 years of transformation (改變中國十年影響力人物) by the Asian Living Environment Association (亞洲人居環境協會) and the Economic Observer (經濟觀察報) in 2004, an award for his outstanding contributions to creating a living environment in China (中國人居環境傑出貢獻人物榮譽稱號) by the China Real Estate and Residential Housing Research Association (中國房地產及住宅研究會) and the Chinese Environmental Protection Fund (中華環境保護基金會) in 2005, an award for outstanding contribution to the creation of value in cities in China (創造城市價值中國地產年度卓越貢獻人物) by the Chinese Living Environment Committee (中國人居環境委員會) in 2006, an award named him a Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會), an award for special contribution for 2009 China urban commercial value (2009中國城市商業價值特殊貢獻人物) by China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the International Real Estate Federation (國際不動產行業聯盟), an award named him an Influential Person of 2009 Lanchou Real Estate (2009年度藍籌地產影響力人物) by Lanchou Real Estate Media (藍籌地產傳媒) and Sina Leju (新浪樂居), an award for being one of the most respected entrepreneur of China in 2012 (2012年中國最受尊敬企業家) by Hurun Report (胡潤百富) and an award for being one of the top 10 annual persons in 2009 China brand real estate (2009品牌中國房地產十大年度人物) by China Brand Union Association (品牌中國產業聯盟) and China Real Estate Chamber of Commerce (全國工商聯房地產商會), and the "Special Promoting Award"on the 14th Venice Architectural Biennale-paralleled with the first exhibition in Chinese Cities Hall (第十四屆威尼斯建築雙年展平行展暨中國城市館首展) in June 2014. Mr. Yi was appointed the lecturer for the outstanding alumni's series report course (《優秀校友系列報告》) from September 2006 to July 2011 by the Alumni Association of (北京師範大學校友會) Beijing Normal University. He was the vice executive chairman for the second session of the Guangxi Chamber of Commerce in Beijing (北京廣西企業商會) and a member of the Entrepreneurial Forum of Sohu (搜狐企業家論壇). He obtained a bachelor of science degree in geography from Beijing Normal University (北京師範大學) in July 1986 and a master's degree in economics from Renmin University of China (中國人民大學) in October 1989.

Directors and Senior Management

Mr. Fan Xiaochong (范小冲), aged 52, is an executive Director appointed by the Company on 20 September 2007. Mr. Fan was appointed as the Vice Chairman of the Board of Directors of the Company on 25 August 2016 and thus ceased to be the Executive Vice-President of the Group. He assists Mr. Yi Xiaodi in formulating the corporate strategies of the Group, takes charge of the development of the cultural creativity-based economy (新經濟文創) of the Company and provides assistance in respect of land acquisition, human resources and other matters of the Company. Since the establishment of Guangxi Vantone in 1994, Mr. Fan was engaged in the business and corporate strategy development of the Group. He was the deputy general manager of Guangxi Vantone from 1992 to 2003, the deputy general manager of Beijing Yinxin Guanghua Real Estate Development Co., Ltd. from 1999 to 2003, and has been the executive vice-president of Sunshine 100 Group since 2003. He received an award named Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會) and an award for outstanding contribution to China real estate (中國地產傑出貢獻人物獎) in 2010 by the Chinese Association of Urban Development and Public Relationship (中國城市發展暨公共關係協會). Mr. Fan obtained a bachelor of science degree in geography and a master of science degree in regional geography from Beijing Normal University (北京師範大學) in July 1986 and July 1989, respectively.

Non-executive Directors

Ms. Fan Xiaohua (范曉華), aged 74, is a non-executive Director appointed by the Company on 20 September 2007. Ms. Fan joined the Group as a member of the senior management of Guangxi Vantone in 1994. She has been the director of the Group since August 2005 and was involved in the decision-making process and supervised internal audit of the Company. Ms. Fan served as head of the technology department, the deputy factory director and the factory director of Guangxi Nanning Chinese Medicine Pharmaceutical Factory (廣西南寧中藥廠) from 1979 to 1990, the chief deputy general manager of Nanning Pharmaceutical Group (南寧製藥企業集團) from 1991 to 1993 and has been the chairman and general manager of Guangxi Vantone Pharmaceutical Co., Ltd. (廣西萬通製藥有限公司) since 1993. Ms. Fan enjoys the life-long special allowance (終身享受國務院特殊津貼) which is an award granted by the State Council for experts and scholars who have outstanding contribution since 1993. She was honored as one of "Second Batch of Top Professional Talents in Nanning" (南寧市第二批專業技術拔尖人才) between 1991 and 1993. She obtained a bachelor's degree in medicine from Nanjing Pharmacy College (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) in August 1967.

Mr. Wang Gongquan (王功權), aged 55, was appointed as a non-executive director of the Company on 1 August 2015. Mr. Wang served as a partner of IDG Technology Venture Investments, LP (IDG技術創業投資基金) from 1999 to 2005, the managing partner and senior partner of Beijing Dinghui Venture Investment Advisory Company Limited (北京鼎暉創新投資顧問有限公司) from 2005 to 2011, and an independent director of China Digital TV Holding Co., Ltd. (中華數字電視控股有限公司), a company listed on the New York Stock Exchange (NYSE: STV) from 2007 to 2010. Mr. Wang obtained a bachelor's degree in engineering with major in management engineering from Jilin University of Technology (吉林工業大學) (currently known as Jilin University (吉林大學)) in 1984.

Independent Non-executive Directors

Mr. Gu Yunchang (顧雲昌), aged 72, was appointed as our independent non-executive Director on 17 February 2014. Mr. Gu currently serves as the chairman of the National Real Estate Business Alliance and the deputy director of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development and had also been the secretary-general of the China Real Estate Association from 1998 to 2006 and the vice president of the China Real Estate Research Association from 2006 to 2013.

Mr. Gu formerly served at different positions in the Ministry of Construction of the PRC, including the deputy director at Policy Research Centre of Ministry of Construction from 1988 to 1998; and the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction from 1982 to 1986.

Mr. Gu engaged in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of China's city and village residential construction techniques, carrying on a State key project "2000 China", and won the First Class National Science Technology Advance Award in China twice. After joining the China Real Estate Association in 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the national real estate market. He is also the main organizer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu was an independent nonexecutive director of Shimao Property Holdings Limited (SEHK stock code: 813) from April 2006 to May 2011, and an independent non-executive director of E-House (China) Holdings Limited (NYSE: EJ) from August 2008 to March 2014. Mr. Gu has been the independent non-executive director of Sino-Ocean Land Holdings Limited (SEHK stock code: 3377) from March 2007 to March 2016 and of CIFI Holdings (Group) Co. Ltd. (SEHK stock code: 884) since 2012. Mr. Gu has also been the independent director of COFCO Property (Group) Co., Ltd. (SZSE stock code: 000031), Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375) and Jiayuan International Group Limited (SEHK stock code: 2768) since April 2012, May 2013 and February 2016, respectively. Mr. Gu obtained his qualification as a senior urban planner in April 1988 and qualification as a researcher specializing in residence and real estate in December 1999, both of which were certified by the Ministry of Construction. Mr. Gu graduated from Tongji University and obtained a college diploma in Urban Planning in July 1966.

Directors and Senior Management

Mr. Ng Fook Ai, Victor (黃博愛), aged 69, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Ng is the chairman of 1 Rockstead GIP Fund Limited and managed a number of China focused funds, including China Growth Opportunities Limited, a £50 million UK-listed fund that focuses on private equity investments in China. Mr. Ng has been a director and the chairman of audit committee of Asia Power Corporation Limited, a company listed on the main board of the Singapore Stock Exchange, the chairman and a member of audit committee of Devotion Energy Group Limited, a company listed on the main board of the Singapore Stock Exchange, and My E.G. Services Bhd, a company listed on the main board of Bursa Malaysia, since 1999, 2004 and 2008, respectively. Mr. Ng has been an independent director and the chairman of audit and risk committee of SB Reit Management Pte Ltd., a company listed on the main board of the Singapore Stock Exchange, since May 2015. In August 2014, he was appointed as a director of SHC Capital Asia Limited, a company listed in Singapore, and was re-appointed in April 2015. he has been a director of Futsalarena@Yishun Limited, a company limited by guarantee established in Singapore, and an independent director and the chairman of audit committee of Cityneon Holdings Limited, a company listed in Singapore, since April and June 2016, respectively. Since January 2017, He has acted as the chairman of the board of directors of Caregiver Group Pte Ltd, a private limited company established in Singapore, and of SGMA Association Ltd, a non-profit company limited by guarantee established in Singapore. Mr. Ng obtained a bachelor's degree in economics and a master's degree in economics from the University of London in 1976 and 1978, respectively. Mr. Ng is a fellow of the Chartered Management Institute, United Kingdom.

Mr. Wang Bo (王波), aged 58, was appointed as an independent non-executive director of the Company on 1 August 2015. Mr. Wang served as a researcher in the 1989 World Bank Annual Report team in 1988, and a researcher in the Financial Policy and Systems Division of the World Bank from 1988 to 1994. He worked at the investment management department of China Securities Market Research and Design Center (中國證券市場研究設計中心投資管理部) from 1994 to 1995, and served as the chief economist of Vantone Group (萬通集團) and Beijing Vantone Industrial Co., Ltd. (北京萬通實業股份有限公司) from 1995 to 1997. From 1997 to 2014, he worked at Accenture (China) Co., Ltd. (埃森哲(中國)有限公司) and successively served as, inter alia, a management consulting manager, a senior manager, a global partner of Accenture, the general manager of management consulting of Greater China, the managing director of the government and medical business department of Greater China and the managing director of Greater China. Mr. Wang is a permanent director of China Mergers & Acquisitions Association (中國併購公會) and had served as an executive director of China Mergers & Acquisitions Association, the vice chairman of the China Enterprise Confederation Management Advisory Committee (中國企業聯合會管理諮詢委員會) and the chairman of the appraisal committee of "China M&A Awards" (中國併購專項獎). Mr. Wang obtained a bachelor's degree in economics with major in fiscal and financial studies from the School of Finance of Renmin University of China (中國人民大學財政系) in 1984 and a master's degree in economics with major in financial theory and international economics from Department of Economics of the American University (美利堅大學經濟系) in the United States in 1993.

SENIOR MANAGEMENT

Mr. Lin Shaozhou (林少洲), aged 49, was appointed as the Chief Executive Officer of the Company on 25 August 2016. Mr. Lin joined the Company in February 2016 and served as the vice president of the Group. He has served as the general manager of Sunshine 100 Chongqing International New Town project and Chongqing Sunshine 100 Arles project. He has served as the Chief Operating Officer of the Group from April 2016 to August 2016. Prior to joining the Group, Mr. Lin joined Wanke Group (萬科集團) in April 1991 and served as the director of the research office of Wanke Group from March 1992 to December 1994, the deputy general manager of Shanghai Wanke Real Estate Company (上海萬科房地產公司) from December 1994 to November 1996 and served as the general manager of Beijing Wanke Real Estate Company (北京萬科房地產公司) from November 1996 to January 2000. Mr. Lin served as chairman of Beijing Houtu Real Estate Development Co., Ltd (北京厚土房地產開發有限公司) from September 2002 to August 2016. Mr. Lin obtained the Bachelor in Social Science from Peking University in July 1989.

Mr. Mo Qingpan (莫輕潘), aged 48, is the general manager of Southern China Project Management Centre and of Guilin project. Mr. Mo joined the Group in March 2002 as the manager of construction department of Ji'nan Sunshine 100 International New Town project. He was appointed as the assistant to general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the general manager of Nanning Sunshine 100 Upper East Side International project in August 2005, the general manager of Guilin Sunshine 100 project in June 2009 and the general manager of Shenyang Sunshine 100 International New Town project and the general manager of Northern China Project Management Centre in February 2010. From May 2011 to August 2012, he also was the general manager of Yantai Sunshine 100 City Plaza Project. He served as the general manager of Southern China Project Management Centre and of Guilin project since July 2015 and February 2016, respectively. Prior to joining the Group, Mr. Mo worked for Bureau of Culture Affairs of Guangxi Heng County (廣西橫縣文化局) from August 1989 to November 1991 and People's Government of Guangxi Heng County Nanxiang Township (廣西橫縣南鄉鎮人民政府) from December 1991 to May 1993. He was the deputy director of People's Government of Guangxi Heng County (廣西橫縣人民政府辦公室) from July 1993 to November 1993 and the director of Administrative Office of Culture and Market of Guangxi Heng County (廣西橫縣文化市場管理辦公室) from December 1993 to November 1994 and the office director of Guangxi Institute of Fisheries (廣西水產研究所) from August 1996 to November 2001. Mr. Mo obtained a bachelor's degree in Chinese language and literature from Central University of Nationalities (中央民族大學) (formerly known as Central Institute of Nationalities (中央民族學院)) in June 1989. He also completed his undergraduate studies in politics and law at the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in December 1998.

Directors and Senior Management

Mr. Wu Lei (吳雷), aged 45, is the General Manager of the Central-South China Project Management Centre and of Yixing project and Chengdu project. Mr. Wu joined the Group in June 2002 as the manager of procurement department of Nanning Sunshine 100 City Plaza project and was appointed as the assistant to the general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the assistant to the general manager of Changsha Sunshine 100 International New Town project in January 2004, the general manager of Changsha Sunshine 100 International New Town project in April 2009 and the deputy general manager of Central-South China Project Management Centre in December 2011. He served as the General Manager of Yixing project and Chengdu project since February 2016 and March 2016, respectively. Mr. Wu completed his undergraduate studies from Hubei University (湖北大學) in June 1997 and completed the advanced training courses in real estate innovative management from Tsinghua University (清華大學) in April 2009. He received a certificate as a mid-level financial analyst (中級金融師) from the Ministry of Personnel, PRC (中華人民共和國人事部) in November 2001. Mr. Wu Lei is the son of Ms. Fan, a non-executive Director of the Company.

Mr. Xie Jun (解君), aged 49, is the General Manager of Northern China Project Management Center and Jinan project. Mr. Xie joined the Group as the General Manager of Guangxi Vantone Market (廣西萬通商場) in 2000. He acted as the deputy general manager of Jinan project from September 2001 to December 2002, the deputy general manager of Tianjin project from January 2003 to October 2003, the Marketing Director of Sunshine 100 Group from March 2007 to August 2007, the deputy general manager of Wuxi project from August 2007 to May 2011, the deputy general manager of Yantai Yindu Real Estate Co., Ltd. from May 2011 to March 2012, the general manager and chairman of Dongying project from March 2012 to March 2015. Since January 2013 and July 2015, Mr. Xie served as the general manager of Jinan project and Northern China Center. Prior to joining the Group, Mr. Xie worked at the Planning Office of Hainan Province (海南省計畫廳工作) from 1990 to 1992 and served as the department manager of Beihai Ocean Company (北海大洋公司) from 1992 to 1995. Mr. Xie graduated from Changzhou Vocational Institute of Engineering and obtained college diploma in Engineering and Electric in July 1989 and attended MBA course at Tianjin Nankai University since September 2014.

Mr. Xu Lianyi (徐聯義), aged 44, is the Chief Financial Officer and the Assistant to the President, responsible for the Group's financial affairs. Mr. Xu joined the Group as the Audit Director of Sunshine 100 Group in 2007. He acted as the Chief Accountant of Sunshine 100 Group from March 2011 to December 2015, the Assistant to the President since December 2015 and the Chief Financial Officer of the Group since 3 March 2017. Prior to joining the Group, Mr. Xu worked at Hainan Hong Kong and Macaw International Trust Investment Co., Ltd. (海南港澳國際信託投資有限公司) from July 1994 to September 1995 and served as project manager at Shenzhen Xingmeng Accounting Firm (深圳興蒙會計師事務) from November 1995 to June 1997, project manager at Beijing Jingdu Certified Public Accountants (北京京都會計師事務所) from February 1998 to August 2001, senior manager at PricewaterhouseCoopers (普華永道中天會計師事務所) from September 2001 to October 2007. Mr. Xu graduated from Central University of Finance and Economics and obtained college diploma in taxation. Mr. Xu possesses professional qualifications of Chinese Certified Public Accountant and Chinese Certified Tax Agent.

Mr. Ding Gong (丁工), aged 49, is the Assistant to the Chief Executive Officer and is responsible for branding, marketing and popularization of the Group. He joined the Group in September 2003 as the assistant to the project general manager of Nanning Sunshine 100 City Plaza project and was appointed as the manager of promotion department of the Group in July 2005, the manager of brand development department of the Group in January 2008, the brand director of the Group in February 2010 and the assistant to the chief executive officer in September 2011. Prior to joining the Group, Mr. Ding was a tutor at Guangxi Nanning College of Education (廣西南寧教育學院) from October 1989 to January 1992 and a correspondent of Guangxi Nanning Radio Station (廣西南寧電台) from January 1992 to January 2003. Mr. Ding obtained a bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in July 1989.

Mr. He Jie (賀杰), aged 55, is the Assistant to the President, Chief Legal Officer and Joint Company Secretary of the Group. He is responsible for the Group's legal, administrative and information technology affairs. Mr. He joined the Group in June 2004 as legal counsel and deputy director general of the administrative office. He was appointed as administrative director general and legal counsel in January 2008, assistant to the president and chief legal officer in January 2014 and Joint Company Secretary on 17 March 2017. Before joining the Group, Mr. He worked at Beijing Chongwen First Law Firm (北京崇文第一法律事務所) in economic, civil, patent and other practice areas as well as acting as corporate legal counsel from 1992 to 1993. He served as the vice chairman and general manager of Beijing Fubu International Economic Consulting Services Ltd. (北京服部國際經濟諮詢有限公司) from August 1993 to May 1996. Mr. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1984 and then studied at the Graduate School of Salem State College, Massachusetts, U.S. from September 2002 to July 2003.

Mr. Chow Chi Ming (周志明), aged 54, was the Chief Financial Officer and Joint Company Secretary of the Group for the year ended 31 December 2016, responsible for the financial affairs of the Group. He graduated from the Institute of Textiles and Clothing of the Hong Kong Polytechnic University and Andrews University in Michigan, the United States of America, and obtained a master's degree in business administration. On 1 January 2016, Mr. Chow joined the Group as Group Vice President. Prior to joining the Group, Mr. Chow served as an independent investment advisor to a number of private equity funds, assisting clients to make equity investments in companies in the real estate, consumer and medical sectors (some of which were preparing for listing on the Stock Exchange). Mr. Chow served as the President of Beijing Rui Xi Ling Hang Investment Management Limited (北京瑞禧領航投資管理有限公司) and also worked at Dexter Specialty Materials H.K. Ltd. (a subsidiary of Dexter Asia Pacific Limited) and RBC Dominion Securities (加拿大皇家銀行多美年證券). Mr. Chow was also an independent adviser to the Company in 2005. Mr. Chow resigned from the positions of Chief Financial Officer and Joint Company Secretary of the Group on 3 March 2017.

Directors and Senior Management

Mr. Du Hongwei (杜宏偉), aged 49, served as Vice President of the Group. Mr. Du joined the Group as vice president in December 2013 and acted as the chief financial officer of the Group from January 2014 to 18 March 2016. He used to serve as the chief financial officer of Sunshine 100 Group from May 2005 to January 2007. Mr. Du has served as the general manager of capital market and investment banking department of China Merchants Securities Co., Ltd. from January 1999 to March 2002 and the general manager of China Aviation Industrial Fund (中國航空產業投資基金) from September 2009 to May 2012. Mr. Du obtained a master of degree in economics from Fudan University in July 1993. Mr. Du resigned from the position of Vice President of the Group on 1 August 2016.

Mr. Jiang Qinyuan (江沁園), aged 47, served as Vice President of the Group, responsible for the commercial management of the Group and in charge of the Property Company (物業總公司). Mr. Jiang joined the Group as Vice President in April 2010. Prior to joining the Group, Mr. Jiang served as the group manager at Procter & Gamble (Guang Zhou) Ltd. from July 1992 to July 1998, a consultant at the PRC and Singapore offices of Bain & Company from 2000 to 2003, the managing director of the Chicago-based China Optimization Group (思歐捷有限公司) from 2004 to 2010, and the president of Catala (Hangzhou) Painting Projects Co., Ltd. (佳塗樂(杭州)塗裝服務有限公司), a professional painting contractor, from 2008 to early 2010. Mr. Jiang obtained a bachelor of science degree in mathematics from Sun Yat-Sen University (中山大學) in July 1991 and a master of business administration from Cornell University in May 2000. Mr. Jiang resigned from the position of Vice President of the Group on 30 November 2016.

Mr. Chen Meng (陳夢), aged 54, is Vice-President of Sunshine 100 Group. Mr. Chen joined the Group as the executive director of Nanning Sunshine 100 Australian Garden in December 1998. He was appointed as the general manager of Ji'nan Sunshine 100 International New Town project in January 2002, the general manager of Southern China Project Management Centre in September 2009, and the vice president of the Group since September 2010. Prior to joining the Group, Mr. Chen had served as a division head of Nanning Third Construction and Installation Co., Ltd. (南寧市三建建築安裝工程有限責任公司) from January 1991 to July 1992 and the chairman and general manager of Nanning Oriental Garden Property Co., Ltd. (南寧東方園物業有限責任公司) from October 1996 to November 1998. Mr. Chen obtained a professional diploma from University of South China (南華大學) (formerly known as Hunan Hengyang Technology Institute (湖南衡陽工學院) in July 1987.

Mr. Liang Yuan (梁源), aged 55, is the Deputy General Manager of the Group's Southern China Project Management Center (華南管理中心) and Project General Manager of Liuzhou City Plaza Project, responsible for the design and daily management in Southern China Project Management Center and day-to-day management for Liuzhou City Plaza Project. Mr. Liang joined our Group as deputy general manager of Guangxi Project Management Center and Nanning City Plaza Project in September 2003, and has been the deputy general manager of Guangxi project department and executive general manager of project department in Liuzhou Classical Era (柳州經典時代) since August 2005, the general manager of Liuzhou City Plaza Project and Classic Era project since December 2006, and the deputy general manager of the Southern China Project Management Center of Sunshine 100 since October 2011. Prior to joining our Group, Mr. Liang worked in Guangxi Second Construction Company (廣西第二建築公司) from December 1981 to June 1986. He worked in the management department of China Construction Company (中國建築總公司) in Gambia from July 1987 to January 1990, and Guangxi Second Construction Company (廣西第二建築公司) from February 1990 to March 1995. He had been a site manager of China Construction(HK) Company (中國建築香港公司) from March 1995 to February 1998 and the deputy general manager of Guangxi Second Construction Company (廣西第二建築公司) from March 1998 to August 2003. Mr. Liang obtained the title of senior engineer in 2010 and was awarded the 2013–2014 High-quality Project Contributors (優質工程突出貢獻者獎) by the Construction Companies Committee in China (中國施工企業協會) in 2014. Mr. Liang graduated from Guangxi Construction Engineering College (廣西建築工程學校) (currently known as Guangxi Polytechnic of Construction) in 1981 and obtained college diploma (correspondence) in Civil Engineering from Guilin University of Technology (桂林工學院) in 2001. Mr. Liang has resigned since 20 January 2016.

JOINT COMPANY SECRETARY

Mr. Chow Chi Ming (周志明) was the Chief Financial Officer and Joint Company Secretary of the Group for the year ended 31 December 2016. For the biography of Mr. Chow, please refer to the sub-section headed "Senior Management" above.

Mr. He Jie (賀杰) was appointed as Joint Company Secretary of the Group on 17 March 2017. For the biography of Mr. He, please refer to the sub-section headed "Senior Management" above.

Dr. Ngai Wai Fung (魏偉峰), aged 55, is the Joint Company Secretary of the Company. Dr. Ngai is a director and chief executive officer of SW Corporate Services Group Limited. Dr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Dr. Ngai obtained a master's degree in business administration from Andrews University in Michigan in August 1992, a bachelor's degree in law from University of Wolverhampton in the United Kingdom in October 1994, a master's degree in corporate finance from Hong Kong Polytechnic University in November 2002 and a doctoral degree in finance from Shanghai University of Finance and Economics in June 2011.

Report of the Directors

The board of directors (the "**Board**") of the Company is pleased to present the directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 20 September 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the "**Companies Law**"). The Company's shares (the "**Shares**") became listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 March 2014 ("**Listing Date**") (the "**Listing**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in property and land development, property investment and property management and hotel operation in China. An analysis of the Group's revenue for the year by principal activities is set out in note 2 to the financial statements.

The fair review, major risks and uncertainties in relation to the businesses of the Group, the performance of the Group during the year and the discussion and analysis on significant factors in relation to results and financial conditions are set out in the Chairman's Statement, Financial Review and Business Review of this annual report, respectively. The future development of the Group's businesses is discussed in the Chairman's Statement of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on pages 116 to 117 of this annual report.

SUBSIDIARIES

Details of the subsidiaries as at 31 December 2016 are set out in note 12 to the financial statements.

FINAL DIVIDENDS

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

FINANCIAL SUMMARY/FINANCIAL REVIEW

A financial summary of the Group's results, assets and liabilities for the last five financial years are set out on pages 12 to 13 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, purchases from the Group's five largest suppliers accounted for 10.9% (2015: 15.9%) of the Group's total purchases and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

For the year ended 31 December 2016, the Group's sales to its five largest customers accounted for 2.3% (2015: 0.8%) of the Group's total revenue and the five largest customers of the Group accounted for less than 30% of the Group's revenue in the year.

None of the directors of the Company (the "**Directors**") or any of their close associates or any shareholders of the Company (the "**Shareholders**") (who, to the best of the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RELATIONSHIP WITH CLIENTS AND SUPPLIERS

We are committed to maintaining sound relationship with customers and improving their satisfaction. By providing training and putting forward strict requirements, our frontline receptionists, sales persons, and property management personnel, etc. are able to continuously promote the level of communication and service for customers. Also, we keep focusing on user experience, collect and respond to customers' feedback and therefore the Company and its brand remain to be highly recommended among customers.

We have adopted a just, fair and transparent purchasing system which enables us to obtain competitive price and terms and to avoid the impact of changes in prices of other regions or items. In general, we may purchase raw materials from different local suppliers, and we may obtain all sorts of raw materials from different sources to impair our reliance on one supplier. The time of payment provided by suppliers is subject to various factors, including our relationship with suppliers and the transaction scale.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 31 December 2016 are set out in note 10 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Company and the Group during the year ended 31 December 2016 are set out in note 11 to the financial statements.

SHARE CAPITAL

During the year ended 31 December 2016, there was no change in the authorized or issued share capital of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

The Shareholders of the Company are advised to seek professional advice if they are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out on page 120 in the consolidated statement of changes in equity and in note 23(d) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB6,220,334,000 (2015: RMB6,177,367,000), including retained profits and share premium as disclosed in Note 23(a).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in note 20 to the financial statements.

DIRECTORS

The Directors from 1 January 2016 up to the date of this annual report were:

Executive Directors:

Mr. Yi Xiaodi *(Chairman) (appointed on 20 September 2007)*
Mr. Fan Xiaochong *(Vice Chairman) (appointed on 20 September 2007)*

Non-executive Directors:

Ms. Fan Xiaohua *(appointed on 20 September 2007)*
Mr. Wang Gongquan *(appointed on 1 August 2015)*

Independent non-executive Directors:

Mr. Gu Yunchang *(appointed on 17 February 2014)*
Mr. Ng Fook Ai, Victor *(appointed on 17 February 2014)*
Mr. Wang Bo *(appointed on 1 August 2015)*

According to articles 84(1) and 84(2) of the articles of association of the Company (the "**Articles of Association**"), Mr. Yi Xiaodi, Mr. Fan Xiaochong and Mr. Ng Fook Ai, Victor will retire from office, and being eligible, have been recommended by the Board for re-election as Directors at the forthcoming Annual General Meeting (the "**AGM**") to be held on 26 June 2017. The proposals of the re-election of the aforementioned Directors will be put forward at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 37 to 45 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2016, the Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors for the period from 1 January 2016 up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

None of the Directors has entered into any service contract with the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

For the details of the service contracts and the appointment letters of each of the Directors, please see the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' SIGNIFICANT INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

A remuneration committee of the Board (the "**Remuneration Committee**") was set up for reviewing the Group's emolument policy and remuneration structure of all the directors and senior management of the Group, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions in the Group.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as incentive to eligible participants, details of which are set out in the sub-section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 6 and 7 to the financial statements.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2016.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

From 1 January 2016 and up to the date of this annual report, change in the information that is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules was as follows:

Mr. Yi Xiaodi

Mr. Yi Xiaodi resigned from the position of the Chief Executive Officer of the Company on 25 August 2016.

Mr. Fan Xiaochong

Mr. Fan Xiaochong was appointed as the Vice Chairman of the Company and ceased to be the Executive Vice President of the Group on 25 August 2016.

Mr. Gu Yunchang

Mr. Gu was appointed as an independent director of Jiayuan International Group Limited (SEHK stock code: 2768) since Februray 2016.

Mr. Ng Fook Ai, Victor

Mr. Ng Fook Ai, Victor was appointed as a director of SHC Capital Asia Limited (a company listed in Singapore, stock code: 5UE) on 1 August 2014 and was re-appointed on 30 April 2015.

Mr. Ng Fook Ai, Victor was appointed as a director of Futsalarena@Yishun Limited (a company limited by guarantee incorporated in Singapore) on 1 April 2016.

Mr. Ng Fook Ai, Victor was appointed as an independent director and the chairman of the audit committee of Cityneon Holdings Limited (a company listed in Singapore, stock code: 5HJ) on 6 June 2016.

Mr. Ng Fook Ai, Victor was appointed as the chairman of the board of directors of each of Caregiver Group Pte Ltd (a private company established in Singapore with limited liability) and SGMA Association Ltd (a non-profit company limited by guarantee incorporated in Singapore) since 1 January 2017.

Mr. Lin Shaozhou

Mr. Lin Shaozhou was appointed as the Chief Executive Officer of the Company on 25 August 2016.

Save as disclosed above, there is no other information in respect of the Directors and the Chief Executive Officer required to be disclosed under Rule 13.51B(1) of the Listing Rules.

RELATIONSHIP WITH EMPLOYEES

We believe that employees are the most valuable asset of the Group, and our human resources management aims to recognise and give back to our employees' contribution. By means of providing competitive remuneration and implementing appraisal system with appropriate incentives as well as providing adequate training and opportunities, we endeavor to promote the career development of the Group's employees.

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

As at 31 December 2016, the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Interests in the Company

Name of Director	Capacities in which interests are held	Interests in Shares	Approximate percentage of issued share capital of the Company	Notes
Yi Xiaodi	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 2 and 3
Fan Xiaochong	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 2 and 4
Fan Xiaohua	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 2 and 5

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) 40% of the issued share capital of Joywise is held by Ming Fai International Limited ("**Ming Fai**") and 60% of the issued share capital of Joywise is held by Harvest Well Holdings Limited ("**Harvest Well**"). Both Ming Fai and Harvest Well are deemed under the SFO to be interested in the Shares held by Joywise. 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

(3) Mr. Yi Xiaodi is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Yi Xiaodi, his family members and other persons who may join in from time to time (the "**Yi Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantastic Magician Limited is interested in.

Mr. Yi Xiaodi is also one of the founders of the discretionary investment collective trust established by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng, Mr. Li Mingqiang (the "**Individual Controlling Shareholders**"), the discretionary beneficiaries of which are the Individual Controlling Shareholders and other persons who may join in from time to time (the "**Sunshine Trust I**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Yi Xiaodi is one of the parties to each of the concert party agreement dated 12 August 2010 entered into between Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua and Mr. Liao Chimei (the "**2010 Agreement**") and the concert party agreement dated 1 August 2013 entered into among the Individual Controlling Shareholders (the "**2013 Agreement**"). By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Yi Xiaodi is deemed under the SFO to be interested in the Shares held by Joywise.

(4) Mr. Fan Xiaochong is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Fan Xiaochong, his family members and other persons who may join in from time to time (the "**FXC Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which True Passion Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of the Sunshine Trust I. By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of a discretionary collective trust established by the Individual Controlling Shareholders, the discretionary beneficiaries of which are three persons and other persons who may join in from time to time (the "**Sunshine Trust II**"). By virtue of the SFO, he is deemed to be interested in the Shares which Floral Crystal Limited is interested in.

Mr. Fan Xiaochong is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Fan Xiaochong is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Ms. Fan Xiaohua is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Fan Xiaohua, his family members and other persons who may join in from time to time (the "**FXH Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Glorious Glory Limited is interested in.

Ms. Fan Xiaohua is also one of the founders of the Sunshine Trust I. By virtue of the SFO, she is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Ms. Fan Xiaohua is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Ms. Fan Xiaohua is deemed under the SFO to be interested in the Shares held by Joywise.

(ii) Interests in associated corporations

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in Shares	Percentage of shareholding	Notes
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	3
Yi Xiaodi	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	4
Fan Xiaochong	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	5
Fan Xiaohua	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	6
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	3

Notes:

(1) Please refer to Note 3 in the sub-section above headed "(i) Interest in the Company".

(2) Please refer to Note 4 in the sub-section above headed "(i) Interest in the Company".

(3) Please refer to Note 5 in the sub-section above headed "(i) Interest in the Company".

(4) Please refer to Notes 2 and 3 in the sub-section above headed "(i) Interest in the Company".

(5) Please refer to Notes 2 and 4 in the sub-section above headed "(i) Interest in the Company".

(6) Please refer to Notes 2 and 5 in the sub-section above headed "(i) Interest in the Company".

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2016 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other corporate body.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, to the best knowledge of the Directors, the following persons (each not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Joywise	Beneficial owner	1,381,375,012 (L)	58.16%	1
Ming Fai	Interest of a controlled corporation	1,381,375,012 (L)	58.16%	1, 2
Harvest Well	Interest of a controlled corporation	1,381,375,012 (L)	58.16%	1, 3
Fantasy Races Limited	Interest of a controlled corporation	1,381,375,012 (L)	58.16%	1, 4
Jin Xiangfei	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 5
Liu Chaohui	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 6
Tian Feng	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 7
Li Mingqiang	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,381,375,012 (L)	58.16%	1, 8
Cititrust Private Trust (Cayman) Limited	Trustee Interest of a controlled corporation	1,381,375,012 (L)	58.16%	1, 9
Central Huijin Investment Ltd.	Interest of a controlled corporation	214,355,000 (L)	9.03%	1, 10
Central New Ventures Limited	Beneficial owner	214,355,000 (L)	9.03%	1, 10
China Everbright Group Ltd.	Interest of a controlled corporation	214,355,000 (L)	9.03%	1, 10

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
China Everbright Holdings Company Limited	Interest of a controlled corporation	214,355,000 (L)	9.03%	1, 10
China Everbright Limited	Interest of a controlled corporation	214,355,000 (L)	9.03%	1, 10
Shanghai Libo Investment Center (LP)	Interest of a controlled corporation	214,355,000 (L)	9.03%	1
CEL Capital Prestige Asset Management Co., Ltd.	Interest of a controlled corporation	214,355,000 (L)	9.03%	1
China Post & Capital Fund Management Co., Ltd.	Interest of a controlled corporation	214,355,000 (L)	9.03%	1
Capital Securities Co. Ltd.	Interest of a controlled corporation	214,355,000 (L)	9.03%	1
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation	214,355,000 (L)	9.03%	1

Notes:

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

(2) 40% of the issued share capital of Joywise is held by Ming Fai. Ming Fai is deemed under the SFO to be interested in the Shares held by Joywise.

(3) 60% of the issued share capital of Joywise is held by Harvest Well. Harvest Well is deemed to be interested in the Shares held by Joywise under the SFO.

(4) 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited.

In light of the above and notes 2 and 3, Fantasy Races Limited is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Mr. Jin Xiangfei is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Jin Xiangfei, his family members and other persons who may join in from time to time (the "**Jin Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Creative Goal Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in.

In light of the above and the other notes, Mr. Jin Xiangfei is deemed to be interested in the Shares held by Joywise under the SFO.

(6) Ms. Liu Chaohui is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Liu Chaohui, her family members and other persons who may join in from time to time (the "**Liu Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Butterfly Fairy Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Ms. Liu Chaohui is one of the parties to the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to that agreement are interested in.

In light of the above and the other notes, Ms. Liu Chaohui is deemed under the SFO to be interested in the Shares held by Joywise.

(7) Mr. Tian Feng is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Tian Feng, his family members and other persons who may join in from time to time (the "**Tian Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Happy Sunshine Limited is interested in.

Mr. Tian Feng is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Tian Feng is deemed under the SFO to be interested in the Shares held by Joywise.

(8) Mr. Li Mingqiang is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Li Mingqiang, his family members and other persons who may join in from time to time (the "**Li Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Ultimate Triumph Investments Limited is interested in.

Mr. Li Mingqiang is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Li Mingqiang is deemed to be interested in the Shares held by Joywise under the SFO.

(9) Cititrust Private Trust (Cayman) Limited (the "**Trustee**") is the trustee under the Yi Family Trust, the FXC Family Trust, the FXH Family Trust, the Jin Family Trust, the Tian Family Trust, the Liu Family Trust, the Li Family Trust, the Sunshine Trust I and the Sunshine Trust II. For details of these trusts, see "History, Reorganization and Group Structure – Establishment of Offshore Trusts" from page 121 to page 122 of the Prospectus (the "**Prospectus**") of the Company dated 27 February 2014.

In light of the above and notes 2 and 3, the Trustee is deemed to be interested in the Shares held by Joywise under the SFO.

(10) One-third or more of the equity interests of Central New Ventures Limited are directly or indirectly held by Central Huijin Investment Ltd., China Everbright Group Ltd., China Everbright Holdings Company Limited and China Everbright Limited respectively. Therefore, Central Huijin Investment Ltd., China Everbright Group Ltd., China Everbright Holdings Company Limited and China Everbright Limited are deemed to be interested in the Shares held by Central New Ventures Limited under the SFO.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No controlling shareholders (as defined in the Listing Rules) or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2016, the Group had issued five tranches of domestic corporate bonds. Guangxi Vantone Real Estate Co., Ltd. (廣西萬通房地產有限公司) (the "**Issuer**"), a subsidiary of the Company, completed a public issuance of a tranche of domestic corporate bonds of RMB1.46 billion with a term of 5 years and an annual coupon rate of 6.9% which were listed on the Shanghai Stock Exchange. The Issuer has the option to raise the coupon rate and the investors have the option to sell back at the end of the third year. The Domestic Bonds issued by the Issuer are secured by a guarantee provided by the Company. The Issuer completed non-public issuance of two tranches of domestic corporate bonds of RMB560 million and RMB440 million respectively, both with a term of 5 years and an annual coupon rate of 7.5% which were listed on the Shenzhen Stock Exchange. The Issuer has the option to adjust the coupon rate and the investors have the option to sell back at the end of the third year. During the Reporting Period, the Issuer issued non-public domestic corporate bonds of RMB1.5 billion with a term of 7 years and a coupon rate of 8.4% which were listed on the Shenzhen Stock Exchange. The Issuer has the option to raise the coupon rate and the investors have the option to sell back at the end of the fourth year. The bonds issued by the Issuer are fully and unconditionally secured by the Company. In addition, the Issuer completed a non-public issuance of a tranche of domestic corporate bonds of RMB500 million with a term of 3 years and a coupon rate of 7.4% which were listed on the Shanghai Stock Exchange. The Issuer has the option to raise the coupon rate and the investors have the option to sell back at the end of the second year. The bonds issued by the Issuer are fully and unconditionally secured by the Company.

On 28 July 2016, the Company entered into a subscription agreement with Guotai Junan Securities (Hong Kong) Limited, Orient Securities (Hong Kong) Limited, Zhongtai International Securities Limited, ABCI Securities Company Limited and Haitong International Securities Company Limited ("**the Joint Lead Managers**"), pursuant to which the Company has conditionally agreed to issue, and the Joint Lead Managers have conditionally agreed to subscribe and pay for, or procure subscribers to subscribe and pay for, the bonds in an aggregate principal amount of US$200,000,000. The issue price is 100% of the principal amount of the bonds, the interest rate is 6.50% and the maturity date is 11 August 2021. The bonds are convertible in the circumstances set out in the terms and conditions into Shares of HK$0.01 each in the issued share capital of the Company at an initial conversion price of HK$3.69 per Share (subject to adjustments). The bonds were listed on the Stock Exchange of Hong Kong Limited while the issuance was completed on 11 August 2016. For details, please refer to the announcements of the Company dated 29 July 2016 and 11 August 2016.

Save as disclosed above, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law or the laws of the Cayman Islands where the Company was incorporated which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Individual Controlling Shareholders, Joywise, Ming Fai, Harvest Well (together with the Individual Controlling Shareholders, the "**Controlling Shareholders**") has, under the deed of non-competition dated 17 February 2014 (the "**Deed of Non-Competition**"), undertaken and covenanted with the Company that for so long as they and/or their respective associates (as defined in the Listing Rules), directly or indirectly, whether individually or taken together, remain the Controlling Shareholders of the Company, each of them will not, and will procure his associates not to directly or indirectly, (including through any controlled company, associate, corporate body, partnership, joint venture or other contractual arrangement) carry on, engage, invest, participate or otherwise be interested in the property development business in the PRC.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition for disclosure in this annual report during the year ended 31 December 2016.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2016, none of the Directors (other than independent non-executvie Directors) or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competed or might compete with the businesses of the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, there were no connected transactions entered into by the Group which were required to be disclosed in this annual report.

The Group engages in property development in China, which is a business operation that requires external funding. In addition to traditional bank loans, developers in China may obtain other funding from trust finance companies by pledging their equity interests in project companies and lands. As at 31 December 2016, the Group had entered into certain trust financing arrangements and lending facility arrangements with connected persons in the ordinary course of business. Such trust financing arrangements and lending facility arrangements involved the provision of financial assistance by connected persons which are not exempt from the requirements in relation to connected transactions under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules and are required to be disclosed in this annual report in compliance with the conditions of waivers previously granted by the Stock Exchange. For details of such arrangements, please see paragraphs 8 to 17 under the section headed "Connected Transactions" in the Prospectus.

A summary of significant related party transactions, which do not constitute (or are fully exempt) connected transactions or continuing connected transactions, made during the year ended 31 December 2016 is disclosed in note 27 to the financial statements.

LITIGATION RELATED TO CHENGDU PRIMARY LAND DEVELOPMENT PROJECT

In 2005 and 2007, the Group entered into a series of co-operation framework agreements with local government authorities of Chenghua District, Chengdu to conduct primary development of a parcel of land located in the district. Pursuant to these framework agreements, the Group was responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It was agreed that if the land is sold at a premium greater than the cost we have incurred to prepare it and if we win the bid at the auction, we will be entitled to deduct our incurred cost from the land premium to be paid; if, however, another developer wins the bid at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to us (after deduction of an agreed fixed amount as the government's share of the profit from the land sale).

The project consists of four phases with site areas of approximately 244,361 square metres, 59,967 square metres, 14,667 square metres and 109,334 square metres respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The land premium was paid to the Chenghua district government in 2008, and it began to make payments to us pursuant to the framework agreements with us. We cumulatively received approximately RMB1,927.0 million from the Chenghua district government out of such land premium proceeds. A remaining land premiums that we are entitled to, in the amount of RMB581.1 million, however, remained unpaid and stayed on our balance sheet as an overdue trade receivable.

On 28 January 2015, the Group commenced proceedings in the High People's Court of Sichuan Province against the People's Government of Chenghua district, Chengdu and Reconstruction and Development Office of Dangerous Buildings of Chenghua District, Chengdu (成都成華區危房改造開發辦公室) for a payment of such land premiums (land clearance income) and fees of RMB15 million, which totaled RMB596.1 million. On 10 February 2015, the Company is informed that the High People's Court of Sichuan Province has accepted the case. As at June 2015, the High People's Court of Sichuan Province commenced the court session for the case but it was still underway as at the date of this annual report. The Company will publish relevant announcements on the website of the Stock Exchange and the Company's website when there is any material development in respect of the case.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 17 February 2014.

1. Purpose

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

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

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

2. Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to:

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

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

(iii) any advisers, consultants, suppliers, customers, distributors and agents to the Company or any of its subsidiaries; and

(iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to the Company as the consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

3. **Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (as defined in the Prospectus), being 200,000,000 Shares.

4. **Maximum number of options to any one individual**

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

5. **Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at less the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

6. **Granting options to connected persons**

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

7. Restrictions on the times of grant of options

A grant of options may not be made when inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for annual, half-year, quarterly or other interim period (whether or not required under the Listing Rules);

(ii) the deadline for the Company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules: and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be),

and no options shall be granted where the grant of options is to a Director:

(iii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

8. Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

9. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the Shares in issue on the date of Listing. The Company may at any time refresh such limit subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

As at the date of this annual report, no option under the Share Option Scheme has been granted by the Company. The total number of 200,000,000 shares are available for issue under the Share Option Scheme as at the date of this annual report, representing approximately 8.42% of the shares of the Company in issue as at the date of this annual report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company has not entered into any other equity-linked agreements.

ENVIRONMENT POLICIES AND PERFORMANCE

It is enterprise social responsibility to promote sustainable development and conservation to the environment. We commit ourselves to saving power and carrying out company affairs in sustainable ways so as to minimize our impact on the environment.

The Group has been implementing the idea of energy saving and pollution prevention, taking active actions (such as conserving water and power and reducing pollution and emission in the process of construction) and formulating emergency and controlling procedures as prevention measures against unexpected environmental pollutions. For details, please refer to the section headed Environmental, Social and Governance Report in this annual report.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Law, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, auditor or other officer of the Company, other than for any matter in respect of any fraud or dishonesty which may attach to any such persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year in respect of any legal liabilities which may be assumed by the Directors and officers in the execution and discharge of their duties or in relation thereto.

COMPLIANCE WITH LAWS AND REGULATIONS WHICH HAVE SIGNIFICANT EFFECT ON THE COMPANY

The Group is operated principally by subsidiaries of the Company in the PRC which itself is listed on the Stock Exchange. Our operation is subject to the relevant laws and regulations of the PRC and Hong Kong. For the year ended 31 December 2016 and up to the date of this annual report, we have complied with all the relevant laws and regulations of the PRC and Hong Kong in all material respects.

CHARITABLE DONATIONS

During the year ended 31 December 2016, the Group made charitable donations of approximately RMB69,000.

POST BALANCE SHEET EVENTS

Events after the Reporting Period of the Group are set out in the sub-section "Events after the Reporting Period" of Management Discussion and Analysis on page 36 of this annual report.

Save as foregoing, the Group has no material post balance sheet events which are required to be disclosed in the audited financial statements.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has adopted and complied with all the applicable provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for the deviations from Code Provisions A.2.1 which are described in further details in the section headed "Corporate Governance Report" in this annual report. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 65 to 77 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 21 June 2017 to Monday, 26 June 2017, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificate must be lodged with the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 20 June 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirements of the Listing Rules since 1 January 2016 up to the date of this annual report.

AUDITOR

KPMG has acted as auditor of the Company for the year ended 31 December 2016.

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

On behalf of the Board
Yi Xiaodi
Chairman and Executive Director

Beijing, the PRC, 29 March 2017

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. For the year ended 31 December 2016, the Company has adopted and complied with all applicable code provisions (the "**Code Provisions**") under the CG Code, except for the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yi Xiaodi was the Chairman and Chief Executive Officer of the Company for the period from 1 January 2016 to 24 August 2016. This deviates from the practice in A.2.1 of the CG Code where the two positions should be held by different individuals. However, the Board considers that the roles of Chairman and Chief Executive Officer assumed by Mr. Yi Xiaodi did not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting the operations of the Group.

On 25 August 2016, Mr. Lin Shaozhou was appointed as the Chief Executive Officer of the Company. At the same time, Mr. Yi Xiaodi resigned as the Chief Executive Officer of the Company but remained as the Chairman of the Board, executive Director and the Chairman of the Company's nomination committee (the "**Nomination Committee**"). With the roles of chairman and chief executive officer served by two individuals, the Company has been in compliance with Code Provision A.2.1 from 25 August 2016.

Since 25 August 2016, the Company has fully complied with the provisions under the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises two executive Directors, namely Mr. Yi Xiaodi and Mr. Fan Xiaochong, two non-executive Directors, namely Ms. Fan Xiaohua, Mr. Wang Gongquan and three independent non-executive Directors, namely Mr. Gu Yunchang, Mr. Ng Fook Ai, Victor and Mr. Wang Bo. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Since 1 January 2016 up to the date of this annual report, the Board at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, which represents at least one-third of the Board, one independent non-executive Director, namely Mr. Ng Fook Ai, Victor, is equipped with appropriate professional qualifications or adequate accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Save as disclosed in the biographies of the Directors as set out under the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Diversity of the Board

In order to enhance the efficiency of the Board and corporate governance standard of the Company, the Board should maintain a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and confirm the progress on achieving such objectives.

As regards the Code Provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors will disclose their commitments to the Company annually.

Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors have provided their training records to the Company.

Chairman and Chief Executive Officer

Under the current organization structure of the Company, Mr. Yi Xiaodi is the Chairman of the Board and Mr. Lin Shaozhou is the Chief Executive Officer. The Chairman leads the Board and is responsible for formulating corporate and business strategies and making major corporations and operations decisions. The Chief Executive Officer focuses on the business development and is responsible for the daily operation and management. He is also taking part in formulating and implementing the overall corporate and business strategy. Their respective responsibilities are clearly defined and set out in writing.

Appointment, Re-Election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company under which he has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. On 1 March 2017, each of the executive Directors has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Ms. Fan Xiaohua, a non-executive Director, has entered into a service contract with the Company under which she agreed to act as a non-executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either Ms. Fan or the Company. On 1 March 2017, Ms. Fan has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Gongquan, a non-executive Director, has entered into a service contract with the Company under which he agreed to act as a non-executive Director for a term of three years commencing from 1 August 2015, which may be terminated by not less than three months' notice in writing served by either Mr. Wang or the Company.

Mr. Gu Yunchang and Mr. Ng Fook Ai, Victor, the independent non-executive Directors, have signed an appointment letter with the Company for a term of three years with effect from the Listing Date. On 13 March 2017, each of Mr. Gu and Mr. Ng has entered into new appointment letter with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Bo, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years with effect from 1 August 2015.

In accordance with the Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company but every Director is subject to retirement by rotation at least once every three years and, being eligible, can offer himself for re-election at the annual general meeting. Any new Director appointed by the Board to fill a causal vacancy is subject to re-election by the Shareholders at the first annual general meeting of the Company after appointment. Any new Director appointed as an addition to the Board is subject to re-election by Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other meetings of the Board and the Board Committees, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or members of the relevant Board Committees at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of the relevant Board Committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Sufficient details of the matters considered, decisions reached and concerns raised by any Directors are recorded in the minutes of the meetings of the Board and Board Committees. Draft minutes of each meeting of the Board or Board Committees are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, 4 Board meetings were held and the attendance is set out in the table below:

	2015 Annual Results	Issuance of Convertible Bonds	Change of Chief Executive Officer	2016 Interim Results
Executive Directors				
Mr. Yi Xiaodi	✓	✓	✓	✓
Mr. Fan Xiaochong	✓	✓	✓	✓
Non-executive Directors				
Ms. Fan Xiaohua	✓	✓	✓	✓
Mr. Wang Gongquan	✓	✓	✓	✓
Independent non-executive Directors				
Mr. Gu Yunchang	✓	✓	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓	✓	✓
Mr. Wang Bo	✓	✓	✓	✓

✓ represents attending the meeting

During the Reporting Period, apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

Delegation by the Board

The Board reserves its rights of decision over all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have the option to obtain independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions are entered into by the management.

Corporate Governance Functions

The Board recognizes that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include the following:

- to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Yi Xiaodi (chairman), Mr. Gu Yunchang and Mr. Wang Bo, the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors;
- to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and
- to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

The Nomination Committee will assess the candidate or the incumbent on criteria such as skills, knowledge, experience and diversity of perspectives. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

In 2016, after review, the Nomination Committee took the view that the appointment of the Directors meets with the Board Diversity Policy and the Board Diversity Policy need not be revised.

During the Reporting Period, 2 meetings were held by the Nomination Committee and the attendances are set out in the table below:

	2015 Annual Results	**Change of Chief Executive Officer**
Executive Directors		
Mr. Yi Xiaodi	✓	✓
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Bo (chairman), Mr. Fan Xiaochong and Mr. Gu Yunchang, the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include but not limited to the following:

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

- either: (i) to determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

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

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; and

- to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

The Remuneration Committee is also responsible for ensuring that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration, whose remuneration will be determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, 2 meetings were held by the Remuneration Committee and the attendances are set out in the table below:

	2015 Annual Results	**Change of Chief Executive Officer**
Executive Directors		
Mr. Fan Xiaochong	✓	✓
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

Details of the remuneration by band of the 12 members of the senior management of the Company, whose biographies are set out on pages 41 to 45 of this annual report, for the year ended 31 December 2016 are set out below:

Remuneration band (RMB'000)	**Number of Individuals**
Below 1,000	5
1,000 to 2,000	6
2,001 to 3,000	1
3,001 to 4,000	0

Audit Committee

The Audit Committee comprises all the three independent non-executive Directors namely, Mr. Ng Fook Ai, Victor (chairman), Mr. Wang Bo and Mr. Gu Yunchang. The main duties of the Audit Committee include the following:

- to deal with the relationship with the Company's external auditors;
- to review the Company's financial information;
- to oversee the Company's financial reporting system, risk management and internal control procedures; and
- to perform the Company's corporate governance functions.

During the Reporting Period, 2 meetings were held by the Audit Committee and the attendances are set out in the table below:

	2015 Annual Results	**2016 Interim Results**
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓
Mr. Wang Bo	✓	✓

The Audit Committee reviewed the financial control system, crisis management, risk management and internal control processes, discussed with the management with regard to the risk management and internal control systems and assessed their effectiveness considering the factors including the adequacy of resources for financial reporting, staff qualifications and experience, training programmes and the budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed the state of the Company's corporate governance against the criteria set out in the CG Code and considered the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The members of the Audit Committee also reviewed the preliminary results of the Company and its subsidiaries for the year ended 31 December 2016 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control and other matters.

The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 108 to 115 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks to be assumed by the Company in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in management and overseeing the formulation, implementation and supervision of the risk management and internal control systems.

The Board confirms that, through the Audit Committee, it has reviewed the effectiveness of the Group's system of risk management and internal control for the year ended 31 December 2016.

The risk management and internal control of the Group are conducted through the departments daily operation, including a sound corporate structure and defined terms of reference, such as authorization approval, validation, and segregation of duties. By reference to any changes in the external environment and the Company's business development mode, the management and the officers of key competent departments will jointly continue to assess major risks and the possibility of their occurrence, to provide solutions and monitor the progress of risk management. The Company also actively carry out the informatization construction, including the continuous optimization of collaborative office system (OA/Portal), Oracle accounting system, Hyperion budget system and customer relationship management system (CRM), and provide timely and accurate data to the management to strengthen the Company's risk control in decision-making.

In addition, we seek to proactively identify any concerns and issues relating to potential non-compliance by providing training (organized by our administrative and legal department) to the management of all departments regarding the need for preventive and self-check measures, ensuring that all applicable laws and regulations are complied and material internal control deficiency is identified and addressed timely. All departments conducted internal control assessment regularly to identify risks that have potential impact on the business and all aspects (including key operational and financial processes, regulatory compliance and information security) of the Group.

The management monitored the assessment of risk management and internal control and have reported/ confirmed to the Board and the Audit Committee on the effectiveness of risk management and internal control systems for the year ended 31 December 2016.

The Group has established an employee reporting channel including email account and telephone hotline through which an employee can report potential non-compliance exposures and raise concerns over possible improper behaviors in financial reporting, internal control or other aspects, so that we could promptly detect problems and undertake corrective measures.

The Group has developed its disclosure policy and process which specifies in detail the processs and monitoring measures to assess, handle and disclose potential inside information, including notify the relevant Directors and employees about the blackout period and restriction in security trading.

The Group has set up an internal audit department, conducting independent review of the adequacy and effectiveness of the risk management and internal control systems. Internal audit department examines key issues in relation to the accounting practices and all material controls and provides its findings and recommendations for improvement to the Audit Committee.

The Audit Committee confirmed that it has reviewed the effectiveness of risk management and internal control systems of the Company according to its term of reference since 1 January 2016 and is of the view that the risk management and internal control systems are effective and adequate. The Audit Committee will continue to conduct regular review on risk management and internal control systems in the future.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and considered that, for the year ended 31 December 2016, the risk management and internal control systems of the Company are effective and adequate.

AUDITOR'S REMUNERATION

Financial statements contained in this report have been audited by KPMG. Service fees paid/payable by the Company to KPMG for the year ended 31 December 2016 is set out as follows:

Service rendered	RMB'000
Audit services:	
Annual audit	4,000
Review of the interim financial report	1,500
Others	1,800
Non-audit services:	
Tax training	50
Total	7,350

JOINT COMPANY SECRETARIES

In order to uphold good corporate governance and ensure compliance with the Listing Rules, the Company engaged Dr. Ngai Wai Fung ("**Dr. Ngai**"), a director and chief executive officer of SW Corporate Services Group Limited (a corporate service provider) and Mr. Chow Chi Ming ("**Mr. Chow**"), the chief financial officer of the Group, as its joint company secretaries for the year ended 31 December 2016. Dr. Ngai and Mr. Chow are responsible for advising the Board on corporate governance matters and ensuring that the Board complies with the applicable policies and procedures, and the applicable laws, rules and regulations. Mr. Chow resigned as the chief financial officer and joint company secretary of the Group on 3 March 2017. Mr. He Jie was appointed as joint company secretary of the Company on 17 March 2017.

In compliance with Rule 3.29 of the Listing Rules, Dr. Ngai and Mr. Chow have undertaken not less than 15 hours of relevant professional training in the year ended 31 December 2016.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The primary contact person of the Company is Mr. Xu Lianyi, the chief financial officer of the Company.

The AGM of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the Chairman of the Board Committees of the Company will attend the AGM to answer shareholders' questions. The external auditor of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.ss100.com.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue raised at a general meeting, including the election of individual Directors. All resolutions put forward at a general meeting will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Calling Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to Article 58 of the Articles of Association.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition; and such meeting shall be held within two (2) months after such requisition.

Such requisition shall be made in writing to the Board or the joint company secretaries of the Company by the following channels:

Address:	18/F, Tesbury Centre, 28 Queen Road East, Wanchai, Hong Kong
Email:	ir@ss100.com.cn

If within 21 days of such requisition the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards to how to nominate a person to stand for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (email address: ir@ss100.com.cn).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was adopted by the Board on 17 February 2014 and became effective on the Listing Date. A copy of the Articles of Association is available on the websites of the Company and the Stock Exchange. During the period from 1 January 2016 up to the date of this annual report, there was no significant change in constitutional documents of the Company.

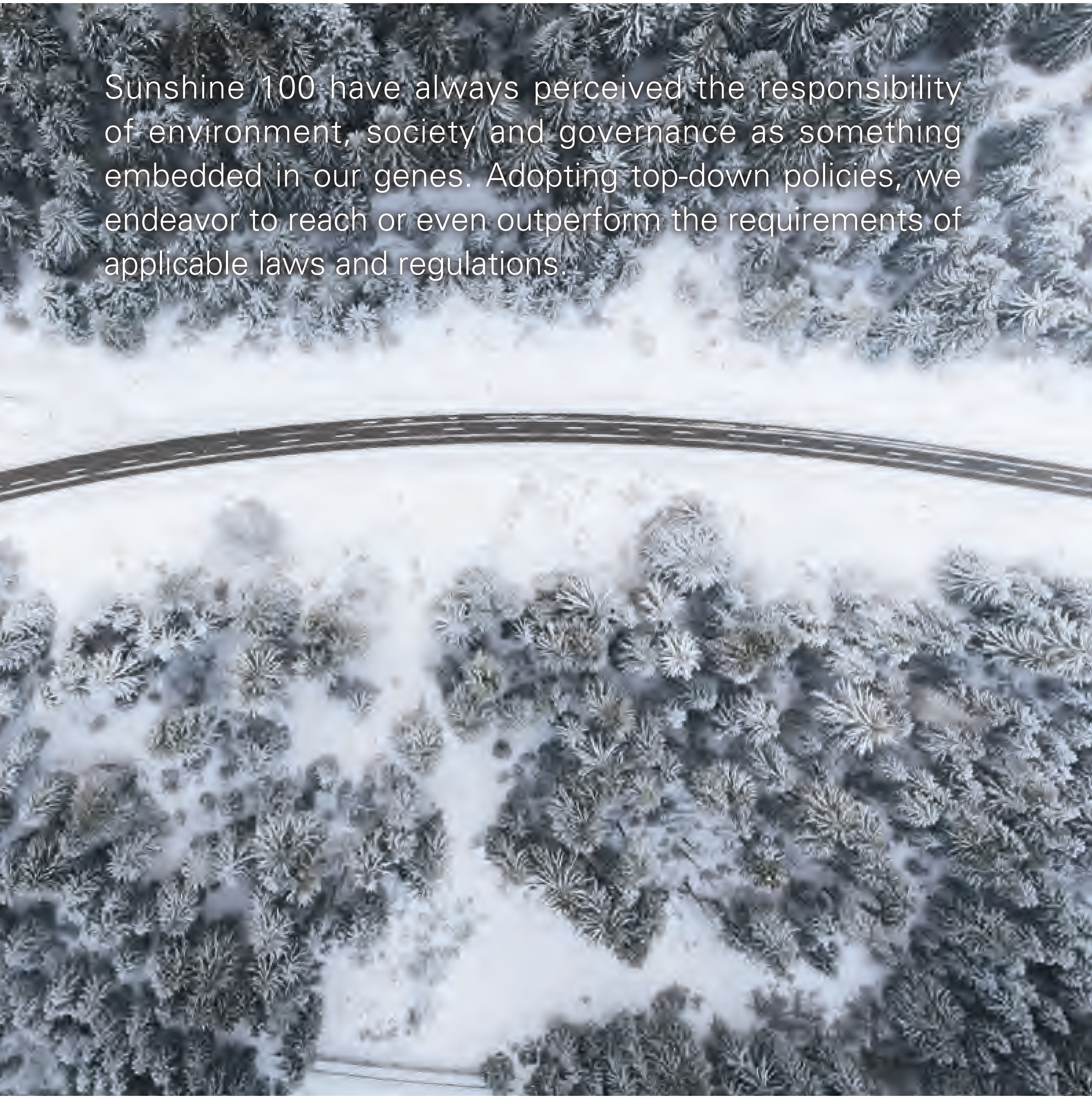
Environmental, Social and Governance Report

ABOUT THIS REPORT

Since established in 2000, Sunshine 100 have always emphasized and actively performed such responsibilities bestowed by the city and society and engage ourselves in commercial activities in the interest of the whole society. With firm footing at the present and great vision into the future, we are striving to make long-term contributions to social progress and people's livelihood while developing our own business.

This constitutes the first Environmental, Social and Governance Report of the Group prepared pursuant to the Environmental, Social and Governance Reporting Guide ("**ESG Guide**") issued by the Hong Kong Stock Exchange, which covers the principles, commitments and efforts of the Group during the reporting period in terms of environment, society and governance, and it is supplemented by specific cases for explanation. We have reported our performance in sustainable development in good faith and with due diligence, and we promise that we will make improvements in the future and do the best to present a more detailed and quantified disclosure for better corporate governance.

The Board of Directors shall assume sole responsibility for the environmental, social and governance strategies and reporting of the Company and is liable to assess and determine the Company's environmental, social and governance risks and ensure the establishment of appropriate and effective system for the management and internal control of environmental, social and governance risks. The Board of Directors and the Directors hereby warrant that there are no false records, misleading statements or material omissions contained in this report and they will bear joint and several liabilities for the authenticity, accuracy and completeness of the contents herein. During the reporting period, the Company has complied with the "comply or explain" provisions in the ESG Guide.



Sunshine 100 have always perceived the responsibility of environment, society and governance as something embedded in our genes. Adopting top-down policies, we endeavor to reach or even outperform the requirements of applicable laws and regulations.

OUR VISION OF SUSTAINABLE DEVELOPMENT

Sunshine 100 have always perceived the responsibility of environment, society and governance as a part of our genes. Adopting top-down policies, we endeavor to reach or even outperform the requirements of applicable laws and regulations. To be specific, we have introduced the following management objectives of sustainable development which penetrate all levels and aspects of our operation, in order to deliver benefits to the society.

- **Abide by industrial standards to grow with the industry**

  We uphold the philosophy of operation in good faith, comply with the business principles in the industry and strictly implement the rules and regulations on corporate social responsibilities.

- **Respect the value of talents to grow with our employees**

  We are devoted to bringing in and providing trainings to talents who share the same values with Sunshine 100 and is a fit for its corporate culture, and introducing long-term and stable talent development strategy.

- **Adopt safety measures and environmental protection to grow in harmony with nature**

  We actively guide the Group and our project companies at various links to practice the idea of harmonious coexistence of human, nature and green development, and accomplish real-time monitoring and improvement, so as to fulfill the responsibility of environmental protection.

- **Provide value-added services to grow with our customers**

  We ratchet up the level of quality management and customer services, introduce more cultural activities in community, and further improve the brand image among target customers.

OUR ENVIRONMENT

As most of other real estate developers, our business does have an impact on environment unavoidably. But we make efforts to factor environment into our decision-making process, business management and corporate culture, as we strive to minimize the impact of our daily operations on environment. We also integrate the concept of environmental protection into our products and services, to perform better at various processes from energy saving to green development. Meanwhile, we are also dedicated to raising the awareness of environmental protection of our business partners and the society as a whole.

We uphold the following commitments to environmental protection and fulfill our environmental responsibility in both project development and daily operations of the Group.

- Comply with relevant requirements of environmental protection laws
- Reduce construction waste
- Save energy
- Reduce the negative impact on environment and natural resources
- Study and design green buildings

Project development

Planning and designing stage

In this stage, we conduct analysis and feasibility study on a project from its financial and technical aspect, wherein the environmental benefits are also considered. To grasp the possible impact of a project on environment and society in advance helps us identify potential obstacles at the initial stage of development, so that we can find out solutions thereto as early as at the stage of designing. Before construction of an approved project, we will submit environmental report, environmental impact statement and environmental impact registration form (collectively, the "Environmental Impact Assessment Documents") of the project to the local environmental protection authority for approval. Besides, we are required to comply with the applicable standards for air pollution, noise as well as sewage and waste discharge as approved by the government throughout the construction period, and to take such standards into consideration

in design, construction and operation under the master plan of construction. To this end, our planning and designing focus on the integration of the human living environment and natural environment, so as to maximally reduce the damage to or transformation of the original planting and vegetation.

In addition, we enlarge the proportion of fine-decorated houses in each project at the stage of designing to reduce material waste, noise pollution and other secondary pollution caused by owners' decoration after delivery of roughcast houses. For example, we launched an array of fine decoration standards at projects in Chongqing, Wuxi and Qingyuan for customers to choose, while for certain soft outfit such as wood floor, sanitary ware and kitchen appliances, we purchase them in a centralized manner.

Supplier bid solicitation stage

Our property project development involves a large number of contractors and suppliers. When selecting partners, we take environmental protection requirements into consideration, to urge their performance in sustainable development. Moreover, we also encourage our partners to employ eco-friendly equipment and facilities and adopt or develop new technologies in this regard. For details, please refer to "Our operation – supply chain management" below.

Construction and acceptance stage

We require the contractors to take effective measures during construction to avoid any environmental pollution arising therefrom, including but not limited to the actions to:

(1) Set up temporary barriers and strictly limit working time; and introduce measures to control and reduce noise from machines that generate loud noises such as mixers, air compressors and woodworking machines, to subdue and reduce possible noises arising from the process of construction.

(2) Set up fences made of hard materials around the construction site and harden main roads and keep the roads clean; clean the garbage and dregs in time; place washing facilities at the exits of site to wash transport vehicles and their ledges when they leave the site; and store or seal the building materials such as cement and lime that may produce fugitive dust pollution in compliance with the government's requirement of "fugitive dust pollution control".

(3) Keep the site clean, prohibit sewage from flowing to its vicinity and forbid accumulation of waste within the construction site and the surrounding areas; and do not drain any sewage into any public sewage pipes, drain pipes or any waterways or rivers or sea waters without the written consent of relevant local authorities.

(4) Do not use any materials or construction methods in any temporary or permanent projects that are expressly prohibited by the government for their harms to human health or that are not expressly prohibited by the government but may cause discomfit or unpleasant smells to the dwellers or users.

(5) Test radon concentration and natural radionuclide content in the soil and indoor environment in accordance with relevant local regulations, and procure the environmental tests to satisfy the acceptable standard on indoor environmental quality.

Case I
Eco-friendly Building – Chongqing Hima Alaya

Chongqing Hima Alaya represents a high-end residential project built based on the concept of "people oriented". The project introduces a full set of technology for ecological health, in order to create an eco-friendly, comfortable and healthy living environment.

Capillary heating and cooling system

The project uses a capillary network technology from Germany, which simulates the microcirculation formed by the reticular structure of human capillaries. The capillary network is attached to the wall and roof with water flowing through the ultra-fine capillaries. It can condition the temperature with efficient heat exchange achieved by radiant cooling/heating and convection, so that the indoor temperature can be maintained at 23 to 26 degrees Celsius. In the practice of heating, the capillary network only needs water inflow at the temperature of 28–35 degrees Celsius, much lower than temperature of 45 to 60 degrees Celsius required by floor heating pipe and 70 to 80 degrees Celsius by conventional heating radiator, which means it can save 20% to 30% energy compared to the ordinary floor heating and 40% energy compared to the heating radiator. With respect to cooling in summer, the technical advantage also allows temperature of frigid water 5 to 7 degrees Celsius higher than that required by ordinary air conditioning unit. The adoption of warmer water at 16 to 18 degrees Celsius for cooling can save 60% to 70% energy compared to the conventional air conditioning components, and thus slash the carbon emissions. In addition, capillary network may be made of high polymer raw materials, such as PP-R, PE-RT or PB, which endure for a very long life of use and can be recycled to avoid secondary pollution to the environment.

Moreover, we set up a household separation control system, whereby owners may tune the temperature and switch on and off the system at their choice, so as to save energy manually.

All-green non-toxic fine decoration

We adopt comprehensive fine decoration. The decoration materials are purchased in accordance with the EU REACH53 standard (which is promulgated by 28 countries of the EU collectively). All of the wood floor, stone materials, cabinets, tiles, auxiliary materials and glues adopt green formula and pass on-site monitoring by competent authorities under the Ministry of Health. This way, the decoration pollution is eliminated from the very beginning while providing customers with a healthy living environment.

Four-pipeline garbage disposal and domestic sewage discharge system

The project is equipped with a four-pipeline system to handle kitchen garbage and discharge waste into the sewer system within the kitchen. It can guarantee 100% recycle of garbage and more than 50% recycle of waste sewage so as to reduce the volume of waste food and plastic bags sent to landfill or for incineration.

(6) After completion of the construction, clear all remaining materials, debris and garbage and remove all temporary buildings, structures and facilities at the site and restore the original ground surface; and restore the soil and vegetation damaged during the construction period to its original status or arrange reasonable greening.

We will ensure the contractors comply with the said laws and regulations in the construction process. For this purpose, we will test noise, electromagnetic radiation and concrete fills; inspect building materials on the site and refuse the materials not up to the requirements of environmental laws and regulations; and conduct weekly and extra field samplings, and for any problems discovered, relevant contractors are required to make corrections immediately. During the Reporting Period, all our emission indicators reached national or local emission standards, and there were no material violations against national and local laws and regulations on environmental protection and pollution control applicable to the Company, and we did not receive any punishment imposed by any administrative authorities or regulatory authorities.

Community operation

We adopt the following energy management schemes in the property management:

1. Guided by relevant government documents, we publicize the significance and specific ways of energy saving and consumption reduction on bulletins by leveraging on the advertising resources, so as to raise the awareness of energy saving among the property owners.

2. We take the following water saving measures:

    - Record the readings of master and branch water meters regularly, and when abnormal jump of readings are discovered, investigate the causes immediately;

    - Inspect the status of leakage proof of cooling tower and expansion tank regularly;

    - Check water supply pipelines to stringently prevent all sorts of leakage; and

    - Improve the method to water green lands and save water used for green lands.

Case II
Energy Saving Measures – Beijing Sunshine 100

Beijing Sunshine 100 modified the original two sets of automatic gas-fired atmospheric hot water boilers into the current gas-fired condensing atmospheric hot water boilers. Such boilers provided heating and exchange of domestic heating water for 1,108 residents in the community. The source of heating water is a geothermal hot spring at a stable temperature of about 37 degrees Celsius. The modified boilers provide winter heating via central air-conditioning for phase III of the project, covering approximately 30,000 square meters. The said boilers are premixed-cast aluminum condensing hot water boiler, with thermal efficiency 35% higher than ordinary boilers, exhaust temperature as low as below 60 degrees celsius and NOx emissions below 30mg, meeting the air pollutant discharge standards for the boilers implemented in Beijing.

3. We take the following power saving measures:

   - Provided that the public lighting is not affected, reduce the wattage, quantity and lighting time of lamps;

   - Operate certain equipment as more as possible in trough hours and as less as possible in peak hours to reduce electricity costs;

   - Lift up the power factor of wires and install or remove low-voltage capacitor as appropriate; enhance the quality of power and the utilization of active power and reduce electrical losses on wires; and satisfy the requirements on power factor stipulated by the administration of power supply; and

   - Restart equipment as less as possible to improve its utilization.

4. We take the following waste disposal scheme:

   - Distribute waste collection facilities within the community rationally to lower the probability of random littering;

   - Advocate waste sorting, and erect three relatively separate sections in the waste collection area to collect recyclable waste, kitchen garbage and other garbage respectively, so as to process more garbage within the community; and

   - Encourage residents in the community to recycle and reuse daily items to reduce the volume of waste.

Daily operation

In the office area, we promote the use of electronic ballasts instead of inductive ballasts and the use of energy-saving LED lamps instead of incandescent lamps. Electronic ballasts and LED lamps have much longer service lives and can also save up to 70% of the electricity. Meanwhile, we have installed timers on switches which can control power supply for the entire company according to working hours. Employees can also manually switch on or off as needed for their work. We require that employees should turn off lamps and air conditioners around their station before leaving the Company. Our information technology department has also adjusted monitor brightness to an appropriate value for our staff, thus saving energy and protecting eyes.

We have installed charging piles in our parking lot to promote the use of new-style cars and encourage our staff to travel through public transport, thus reducing carbon emissions.

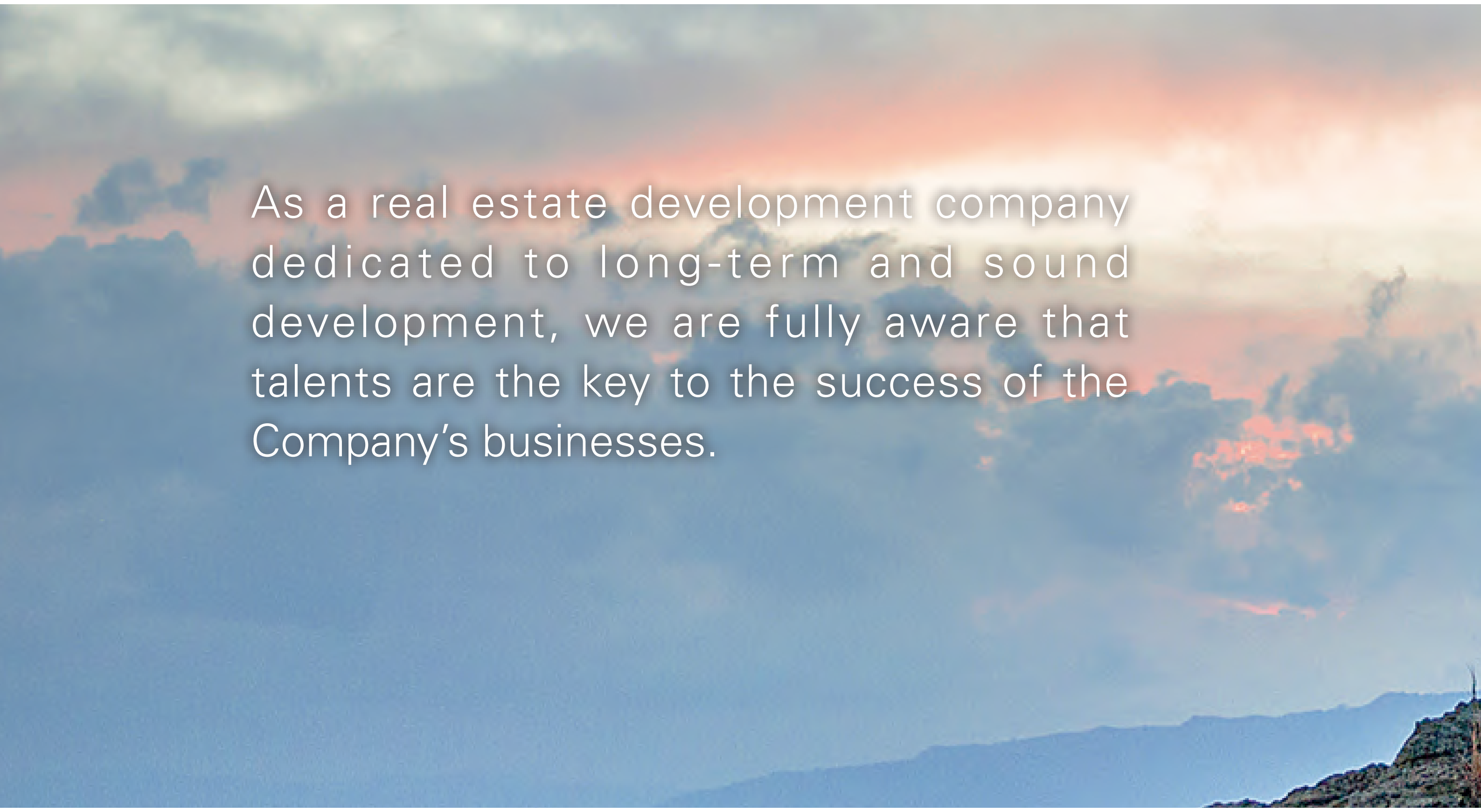
In the course of reconstructing the office area, we have not only used environmental-friendly materials to effectively control TVOC and formaldehyde, but also installed newly energy-saving fresh air-conditioning equipment to replace old air-conditioning equipment so as to reduce PM2.5 indoors. Meanwhile, we have installed new-type sunshade curtains for large glass windows in the office area to avoid the possible indoor heat loss and save energy consumption. In addition, we uphold that our staff should turn off air conditioning 15 minutes before getting off work. The indoor temperature can be kept for some time after air conditioning is turned off, thus not affecting the work of indoor staff and wasting electric energy.

We advocate saving paper by recycling waste paper and using recycled paper and double-sided paper as practicably as possible. We give full play to the advantages of electronic office and strongly promote paperless office such as modifying the manuscript in electronic medium, to reduce paper consumption. We also cooperate with pencil manufacturers to produce recycled paper pencils. As such, we believe that saving paper in every prospect is the best way to protect the forest and our environment.

We also advocate treasuring grain and cultivating the good habits of diligence and frugality. In our canteens, the staff purchase a small quantity of food each time and for several times, while the cooks adjust the supply of food at any time based on the number of eaters. In this way, we ensure that food materials are fresh and not be wasted.

Datasheet of daily energy consumption of headquarters office of the Group in 2016

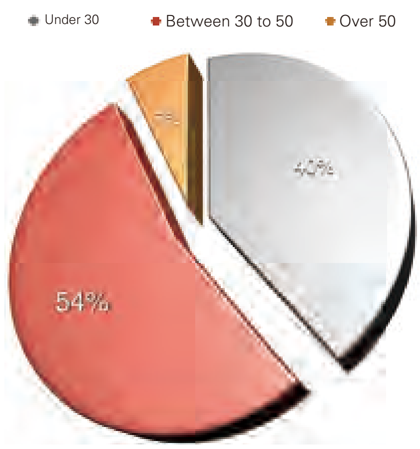
Electricity (kWh):	*4,974,876*
Water (tonnes):	*20,782*
Natural gas (m^3):	*133,258*



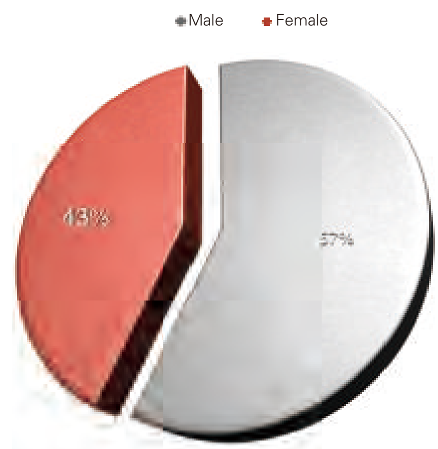
Our staff

As a real estate development company dedicated to long-term and sound development, we are fully aware that talents are the key to the success of the Company's businesses. Upholding the people-oriented management philosophy, we strive to provide employees with an ideal working environment and welfares so as to fully stimulate their personal potential and therefore explore the full potential of the Company.

Number of staff by age



Number of staff by gender



Staff overview

The greatest wealth of Sunshine 100 is to hire a large number of outstanding employees, especially their loyalty to the Company. As of 31 December 2016, we had a total of 4,616 employees, including 4,609 in the Mainland and 7 in Hong Kong.

Employment and welfare policies

After years of experience and exploration, we have successfully established a comprehensive human resources management system, through which we select and absorb talents from different places through rigorous recruitment processes and provide them with equal employment and career development opportunities. We advocate a diversified and inclusive culture and convince that employees having different backgrounds can drive the Company's businesses to flourish. We also actively recruit fresh graduates in various majors and provide them with opportunities such as job rotation in the Company and opportunities of dispatch to project companies, so that they can develop in all aspects and realise growth in the fields that they have strengths and interests.

We mainly adopt two channels, namely, external recruitment and internal referral to hire talents. Department heads and the human resources department will participate in, approve and supervise a series of processes including the approval of recruitment applications, release of recruitment information, resume screening, multiple interviews, background investigation, entry approval and physical examinations, to ensure that the recruitment process is of transparency and openness, and strictly follows the Company's established system. In addition, we adopt equal and public rules in respect of staff promotion. Each employee can earn scores based on their performance; when the performance scores are accumulated to a certain level, employees can apply for self-promotion, so that each employee can make progress.

We provide the staff with a wide range of welfares, including communication allowance, travel subsidies, holiday benefits, marriage and death benefits, physical examination, commercial insurance, meal allowance, birthday gifts, subsidies for length of service. We also encourage employees to make self-growth based on their professions. For employees participating in national professional level examinations and examinations for registered qualifications, we will provide study subsidies and examination holidays, thus creating learning and growth opportunities for every employee as much as possible. For employees who are assigned to non-local project companies due to business needs, we will provide them with household allowances, living subsidies and family-visit benefits where appropriate after taking into account the local circumstances of the places where they are assigned. Consequently, dispatched employees will be able to concentrate on career development free of any worries and enjoy


Healthy running in autumn


Parent-kid tour on fire protection, arrangement of annual meeting and visit days


Regularly organized basketball and badminton activities


Outdoor training

a priority in promotion over other employees who possess the same qualifications and credentials.

During the Reporting Period, we intensified and standardised human resources management and strictly complied with the existing regulations on labour and employment applicable to the Company, and there were no circumstances involving material labour disputes.

Occupational health and safety

We focus on the physical and mental health of employees and promote the balance between work and life. In the second half of 2016, we renovated our headquarters in Beijing to make it more bright and spacious. We have placed more green plants and equipped the offices with water dispensers, refrigerators and coffee machines. In this way, we endeavor to create a clean and healthy office environment for the staff. Meanwhile, we built a "health canteen" to promote the staff to choose a healthy lifestyle. We have improved the canteen environment and provided green, healthy, nutrient-rich lunches for employees at the same time. In addition, we organized a number of employee activities, including daily activities, regular team building activities, family activities and festival activities. We have made adjustment timely according to employees' feedback to relax employees' spare time life and improve the cohesion of the Company.

Talent development

We recognize that larger proportion of internally-cultivated talents is the only way to solve the


Corporate culture training for new employees

Training for management trainee and new employees


Sunshine 100 training school for youth cadres

talent bottleneck in the process of the long-term development in an enterprise. Under the trend of increasingly frequent talent flow in enterprises, we are more inclined to long-term and stable talent strategy.

We divide the cultivation of basic talents into two types: management talents and technical talents. The quality and quantity of management talents determine the stability of our business and the cultural characteristics of Sunshine 100, and the level of technical talents determines our innovation capabilities and competitiveness. Therefore, we gradually improve the staff training system, forming a sound system including trainings of new staff and middle-level and senior management.

The training for new employees is mainly designed for the management trainees who have just joined the Group. Through a series of trainings, such as intensified training, seminar, learning from project visit, team building and job rotation, new employees can experience the enterprise culture, understand the work of various departments, improve work skills, and finally choose the appropriate position through bi-directional selection. In addition, we also arrange a mentor for each new employee to teach them work experience and methods, help them improve their business capabilities, and give encouragement and advices for their career development, so that they can quickly be qualified for the new job and adapted into the enterprise culture.

Trainees of middle-level and senior management are those middle-level youth cadres from different project companies of the Group. The training content is mainly aimed at two aspects. One is professional skills training that is led by each professional and provided irregularly to help employees improve their professional skills according to their actual needs in work. The other one is values training. In recent years, on the basis of the above two aspects of trainings, we also develop a targeted training scheme for cadres of the Group, marketing youth cadres, management trainees and new managers.

Sunshine 100 Young Cadres School for sales and marketing cadres

In 2016, we have established a Sunshine 100 training school for cadres and organised two training sessions for a total of 60 intermediate and senior management members. Trainees are all cadres from the Group and companies of different regions and different projects. The school aims to improve the cohesion of enterprises, cultivate the cadres' moral characters, train and assess cadres and build a communication platform for them. Meanwhile, trainings in Sunshine 100 Youth Cadres School for sales and marketing youth cadres were continuously promoted. We organised eight training sessions for a total of 468 person times. We provided trainings in aspect of professional ability, team spirit and enterprise values for outstanding youth cadres of the Group's marketing system and outstanding graduates from universities within Project 211, so as to cultivate and reserve youth cadres of Sunshine 100 sales system and strengthen the core competitiveness of Sunshine 100.

Labor practices

Strictly adhering to the current laws and regulations on labor, health, safety, insurance and accidents applicable to the Company during the recruitment and employment , we pay salaries to employees not less than the local minimum wage as required, provide employees labor safety and sanitary conditions which are consistent with and meet national rules and standards, arrange regular health examination for employees engaged in dangerous work, and refuse to employ child labor. We require that the age of employees should be at least 18 years old, and employees should fill in the basic identity information when they apply for a position and submit a copy of their ID cards to ensure that the information is verified accurate against the original ID cards. The internal audit department at the headquarters of the Group will inspect the implementation of the human resource policy of the project companies from time to time. During the reporting period, there were no

serious violation of current regulations on labor and safety applicable to the Company and no significant safety matters regarding employees.

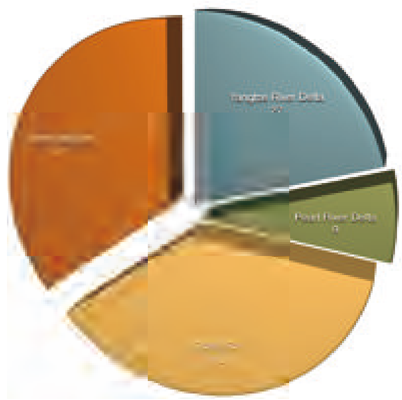
OUR OPERATION

Supply chain management

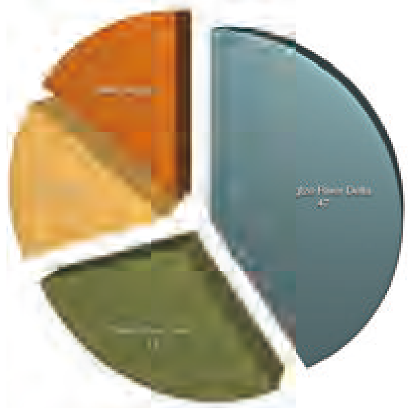
We have always strived to establish fair and responsible business partnership with our cooperation partners, including material supplier, contractors, subcontractors and design institutes, so as to form a sincere "strategic partnership" for long-term development. Such long-term partnership is also favorable for us to exert influence in supply chain, so that we can enhance product quality, advance community development and improve corporate image.

Number of suppliers in areas divided by locations of head offices

Regional distribution of contractors and subcontractors (Unit: Number)



Regional distribution of goods and material suppliers (Unit: Number)



We select our business partners under the principles of openness, fairness and impartiality, and strictly observe the rules of bid solicitation for project or procurement as formulated by the Group. We adopt open tendering and bid invitation which are jointly inspected, evaluated and reviewed by a number of relevant departments within the Group, so that we can control cost while avoiding overreliance on few suppliers. During the reporting period, we had over 130 contractors and subcontractors for construction projects and over 110 suppliers for goods and materials.

With respect to contractors and subcontractors for construction projects, we focus on evaluating whether they meet the requirements of local regulations on environmental protection, occupational health and construction safety, and set forth the environmental, social and ethical criteria formulated by us in the bid solicitation documents. We recruit renowned construction contractors in the industry as much as possible to ensure that such contractors are able to maintain a certain level of performance in health, safety and environmental protection. With respect to material suppliers, we set out in the contract that they should hold accreditations of environmental protection such as "ISO Quality Management System Certification" and "Environmental Management System Certification".

Besides, we require woodwork suppliers to furnish documents to prove the legality of origin of the source material, and prefer to choose multinational enterprises and famous domestic enterprises in the industry which are more mindful of environmental protection and social responsibility for heavy energy consumption products. In addition, to support local development, we may also seek qualified small and medium-sized enterprises in less developed three-tier or four-tier cities, and recommend them to our peers.

To maintain sustainable development of the supply chain, we regularly evaluate and inspect the performance of our business partners in quality, price and service, and record the results thereof in our bid solicitation system. Such information can be used as a factor for us to select suppliers in the future. Suppliers with violations of laws and regulation or quality incidents will lose the chance of cooperation and shall be blacklisted, whereas suppliers with excellent performance will be included in the list of cooperation partners or the list of qualified suppliers and shall be preferred for bid solicitation in the future.

Moreover, pursuant to the current "Law of the People's Republic of China on Work Safety" and "Regulation on Work Safety regarding Construction Projects", we require the cooperative contractors to formulate work safety execution plan, observe the on-site rules on work safety, pay the expenses relating to work safety, dispatch safety gears to workers. We enter into contract carrying work safety regulations with contractors and require them to observe work safety guidance, consider related expenses, appoint experienced person to carry out weekly and extra work safety inspection and supervision, and ensure necessary qualifications of special type construction workers. During the reporting period, we trained 600 batches of workers in total on the "Standards of Safe and Civilized Construction" for 17 projects under construction with 14,000 participants, and we did not record any incidents at the construction sites.

Product responsibility and customer service

As a market-oriented enterprise, we uphold the philosophy of "customer first" in our three main business areas, namely, real estate development and sale, investment property and hotel operation and property management. We attach great importance to product quality and customer demands and spare no efforts to create perfect experience for our customers.

Provision of quality products

We have always followed through the principle of satisfying the diverse requirements of different customers with top-class design and highest quality materials and producing products with higher cost performance. We install a specialized quality management team and implement rigid quality control and assurance at each stage of project development, from design, construction, completion, sale to maintenance.

Improvement of customer experience

We have always taken customer demands as a fountain of energy for our work in all aspects. The commitment of improving customer satisfaction is manifested in each of our business areas.

Property sale

We conduct ex ante market survey to understand customer demands, and get in touch with potential clients precisely by market expansion and channels. When customers visit our properties on site, we record the basic information of them in the property sale system. Salespersons serve them and introduce products to them to further understand their demands and preference to form a customer consultation sheet thereafter, and further enrich their basic information for

follow-up services. We focus on maintaining sound relationship between salespersons and clients and invite them to join on-site visits based on their preferences at appropriate timing.

Besides, to avoid excessive commitment in selling property, on one hand, we require all projects to advise the clients on site that all rights and interest shall be subject to offers under the sales contract; and on the other hand, we strictly regulate salespersons with internal rules and make efforts to establish professional and upright sales teams, so that we can avoid legal risks and guarantee the fairness and impartialness of the sales system.

Property management

We start from the safety and comfort of living and the maintenance and ambience of communities to provide high quality property services for owners.

Environmental, Social and Governance Report

We prioritize the safety management of communities. The safety status and emergencies are tracked around the clock, as we set up a 24-hour gate post to check and control the entrances and exits of people, carry out security patrols in public areas every two hours, and launch a 24-hour monitoring system.

We introduce high quality and professional cleaning service company via bid solicitation. To improve efficiency and quality of cleaning works, we equip machines to do the cleaning in place of hands, and follow the professional cleaning service company by adopting the management measures of on-site service supervision and management. Also, we initiate the "Sunshine Housekeeper" service, introduce household-specific accountability, and proceed with monthly visit to households.

In addition to providing safe and convenient service for property owners, we emphasize maintenance of buildings in the community, and such high-quality maintenance will deliver much benefit in value preservation and appreciation of properties. We assign person to dedicatedly maintain the safety operation of equipment and facilities in the community and provide 24-hour repair service both indoor and in public areas. Meanwhile, we also maintain and repair public facilities on regular basis.

Besides, we formulate a complete set of customer complaint handling system for the possible problems in sales and post-operations, including law violations, false sales promise, sales and service attitude, product design and quality and other demands. Customers may complain via unified customer service line or to related departments such as sales department of project companies, sales department, quality management department or internal audit department of the Group on issues in products and services. Upon receiving complaints, customer service staff shall record the basic information and complaints of customers faithfully, screen such complaints and transfer them to dedicated persons of related departments. Sales related complaints shall be in charge by dedicated person who is able to contact sales support teams of each project, track the handling process and feedback and perform customer visit. During the reporting period, there were neither such things as return of sold house and complaints arising from any material quality problem or incompliant operation nor events in serious violation of relevant laws and regulations applicable to the Company on product liabilities.

In response to increasing customer service demands, we propose a new online sales system that integrates network marketing resources of the project and facilitates the establishment of a multi-channel marketing covering intermediaries, property owners, industries and markets. Also, with our mobile app, we are able to improve working efficiency, achieve convenient and efficient communication with customers, provide more timely follow-up services for our salespersons. As more pertinent customer information is available, we can improve customer service quality more precisely and offer product service information more comprehensively, in building a unified customer service platform.

Protection of customer privacy

We carry out strict privacy protection measures on clients information. Sales personnel who have access to clients are required to sign a confidentiality agreement. Relevant limits of authority are set for access to client database according to positions and rights and responsibilities of the staff to safeguard clients' personal privacy, rights and interests. In addition, we organize regular trainings in respect of work discipline and professional ethics for sales personnel. For person who reveals the client information due to violation of the code of conduct, we would impose relevant internal economic and administrative discipline punishment based on the materiality of the case.

Operation with integrity

We advocate "transparent" administrative rules as we firmly believe that only truthfulness and transparency can ensure the authenticity of work, the effective communication of information and the soundness of the Company's operation mechanism.

We have established rules regarding anti-corruption and anti-bribery in our several management schemes. Regulations including the Code of Conduct for Staff, the Ethics in Procurement and the Anti-Fraud Work Ordinance clearly state that, staff should abide by laws and regulations and general code of business ethics and are prohibited from asking for or accepting interests in anyone's name or in any form, as well as harming legitimate interests of the country, the Company, shareholders, other organizations or individuals for their own benefit or illegal economic interests of the Company through illegal means such as fraud. In addition, the standardized sample contracts for pricing, procurement and design are attached with a guarantee letter of integrity, which should be signed by both parties of the contract, so as to remind and urge the parties as well as the relevant key personnel to observe relevant obligations under the guarantee of honesty.

In order to avoid any possible unlawful practices and maintain a good image of the Company, we have set up a series of prevention and whistle-blowing mechanism based on practices and lessons learned from leading peers in the industry, including:

(1) We have established an internal audit department, which is first responsible department in charge of handling whistle-blowing, complaints and revisit, as well as the standing body responsible for anti-corruption and anti-fraud; the internal audit department is subject to the supervision of the Board of Directors and the Audit committee;

(2) We have standardized the process of complaints and whistle-blowing and related issues, set up specialized telephone hotlines and e-mails for whistle-blowing and complaints, and public communication address for whistle-blowing and complaints, stipulated the detailed process for dealing with whistle-blowing and complaints, set up safety protection mechanism for whistleblower and established award system for whistle-blowing;

(3) The management of the Company is responsible for building, improving and implementing anti-fraud process and mechanism; each business department assumes its responsibility to carry out anti-fraud work;

(4) Advocating enterprise culture of honesty and integrity, creating anti-fraud enterprise culture environment and organizing anti-fraud training and education of laws and regulations, as well as moral education regarding honesty for new staffs;

(5) Stipulating the telephone number and e-mail address for complaints of Sunshine 100 should be printed on the business cards of all construction procurement officers to facilitate the supervision and whistle-blowing of our business partners on bribery, corruption and fraudulent acts by employees of our Company;

(6) If any corruption and fraud event occurs, we will impose relevant internal economic and administrative discipline punishment based on the materiality of corruption, fraud and bribery. Where the criminal law is violated, the personnel involved shall be transferred to the department of justice for handling by law.

During the reporting period, there was no lawsuit regarding corruption filed against the Company or our staffs.

Jinan Sunshine 100 Real Estate Development Company won the title of "Top Ten Urban Operator in 2016" in Jinan real estate industry for its ethical and honest development and operation.

Support social activities and entrepreneurship, encourage healthy lifestyles and develop parent-kid communities, and strive to create new city values, so as to benefit residents, workers and visitors in the community.

OUR COMMUNITY

After over 20-year growth, as a company based in China, we have focused on the rapid-developing second-tier and third-tier cities and adhered to market segmenting and product customization. To cater for the demands of city updating and consumption upgrade in the PRC, we have created a new community model, striving to build a living platform for sharing space, functions and services. Therefore, we support social activities and entrepreneurship, encourage healthy lifestyles and develop parent-kid communities, and strive to create new city values, so as to benefit residents, workers and visitors in the community.

Supporting social activities and entrepreneurship

As early as 2014, having noticed the influences of the culture of entrepreneurship and the new economy on the industry, we were the first to propose the idea of social apartment – the "Phoenix Community". Considering demands of young people in the new times, guided by the concept of the life of sharing featuring shared facilities and services and shared interests and dreams, we add more public spaces to product design and equip the properties with diversified facilities and services. Meanwhile, we organized activities catering to various groups of people with different interests, aiming to enhance interaction among owners.

We also managed our property in an innovative way. To satisfy demands of entrepreneurs on space, we create the product line of Phoenix Workspace by providing office spaces and all types of auxiliary facilities and services for entrepreneurs in the projects where Phoenix Community exist. Besides, we also cooperate with "UrWork" and "Shao Chuang Pai", a unconventional venture capital organization, to provide value-added services to entrepreneurs including human resource, finance, laws and policy consultation, connection with banks and angel investors. We hope that the Phoenix Community could become an innovation hub for young people through offering development and growth platforms and resources to start-ups, and thus bringing positive impact to the community life.


Beijing Sunshine 100 UrWork

Encouraging healthy lifestyle

We advocate healthy lifestyle and encourage the living concept of low carbon and environment protection. By cooperating irregularly with external organizations to hold all kinds of sports and fitness activities in various projects and communities, we hope to express this lifestyle to residents in communities.


Shenyang Sunshine 100 Phoenix Workspace


2016 "Sunshine 100" Cycling Challenge along the Beijing-Hangzhou Grand Canal

Developing parent-kid communities

As most of our owners have children in their family, the demand for relevant support and education increases. We develop several key projects centered on "parent-kid friendship" to promote community value through facilities and workshops.

Case I
Qingyuan Sunshine 100 Arles Project

We devote ourselves to developing "parent-kid communities", where all children can enjoy happy childhoods. We established the Arles mini-class communication group online and the children growth center offline, and further organized community activities for parents and kids to nurture children' interests and hands-on skills. Since commencement in April 2016, the community has offered classes on weekly basis and about 40 children have become our regular students. Currently, there are various courses including dancing, taekwondo and painting to choose.

Case II
Wuxi Sunshine 100 Arles Project

We developed CSS Children Safety System for Wuxi Sunshine 100 Arles Project in the following aspects:

1) Hardware facilities

Safety is our priority for all facilities. All facilities here are made of wooden or metal pipes. The ends of pipes are well-polished, smooth, stable in structure and proper in size. Children can select facilities in different degrees of difficulty.

2) Road and ground

The surface of roads in the children's activity area and roads leading in and out of such area is flat and skid-proof. We provide a playground for young children to play toy cars and ride tricycles in the area. The ground of all playing facilities is covered by protective materials, such as sand, injection molded rubber and rubber blanket.

3) Terrain

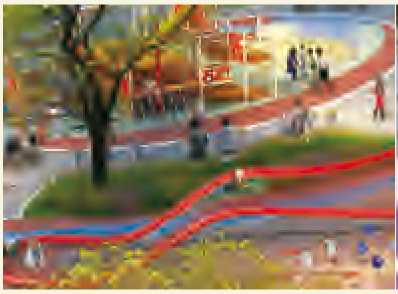
We utilize and strengthen natural terrains to design gradual changes of slope, so that children can roll, swoop and slide on the slope and hide behind it.

4) Water pool and sand pit

Different depths (20cm-50cm) of water pools are naturally designed according to the age and height of children. The sands are also very safe and can be combined with the water pool.

5) Clear separation between pedestrians and vehicles

We make clear separation between pedestrians and vehicles and avoid intersection of the driveway and pavement. The activity area for old people and children are only restricted to the pedestrian areas, so as to avoid vehicles and ensure their safety outdoors.



6) Barriers-free pass

Barriers-free pass are designed for the convenience of wheelchairs, baby carriages and handcarts.

7) Ergonomically-designed size

When designing facilities, we fully considered the size of children's and adults' bodies. We installed SOS bells, protective fences and monitoring cameras near danger-prone areas, like swimming pools.

8) Adequate light at night in the activity area

The bright space can bring a sense of comfort and security for parents and children when they are working out in the activity area, and at the same time, it can ensure the possibility for parents to look after their children and participate in parent-kid activities.

9) Garden landscape

The activity area for children and old people is place with better sunshine, where sun shines more than 2 hours per day in winter. Trees that change colors during the spring and autumn are growing here, displaying seasons distinctively.

10) Parent-kid commercial facilities

The commercial ecosystem is consisted of fairytale theaters, art literacy centers and parent-kid platforms.

Creating new city value

With more than 20 years of development, we realized that only by transcending the business-only practice and pursuing growth from the perspective of urban development can we fulfill our responsibilities in a more extensive and better way and thus find our stage and space for long-term development. When selecting a commercial project, we give high regards to the exploration and promotion of its historical and cultural values, so as to carry forward city culture and raise the value of a city based on local features.

Case I
Sunshine 100 Yaobu Classic Town Project

Sunshine 100 Yaobu Classic Town Project represents our masterpiece of street complex. Located at the core sight-seeing belt of Liujiang River, the project looks over many historical scenic spots such as "Yaobu Ancient Wharf", "Dragon-curled Twin Tower", "East Terrace of Reflection", "Crane Ride in Valley Mist", "Green Rim of Willow" and "Wenhui Bridge" along the 1000-kilometer waterfront. On one hand, we strive to represent the original landscape of Yaobu Classic Town, rejuvenate the hustle and bustle of around the ancient wharf; and on the other hand, we also integrated the local culture of Liuzhou, to create a cultural, tourism, leisure and commercial center with international fashion as well as Liuzhou's original temperament. The project was included in the National 5A scenic spots of Liujiang filed by the local government in 2016.

After the commercial operation for more than 2 years, the project gradually demonstrates its platform role as the "city's meeting room" and "tourist destination". During the reporting period, all kinds of activities here attracted a large number of citizens in the town and from the outside.

At the end of March 2016, we held the first large cultural bazaar in Yaobu, which carried the theme of Easter celebration and adopted the car trunk market popular in the Western, attracting 101,000 visitors in 2 days.

At the beginning of April 2016, the traditional "Shangsi Festival"(falls on March third of the lunar calendar) of Liuzhou attracted 104,000 visitors in 4 days.

During the 7-day National Day holiday in 2016, our activities attracted 650,000 visitors and the attention of the industry and the government. Enterprises and governments from all over the country came to learn from us.

Case II
Chongqing Ciyun Temple Project

Chongqing Ciyun Temple represents our key historical and cultural tourism project under construction at present. Located at the intersection of Yangtze River and Jialing River, the project has hill in behind and river in front. Ciyun Temple was built in Tang Dynasty, boasting a long history. Nevertheless, the Ciyun Ancient Street is where oriental and occidental cultures meet in modern history, and here stand a number of former sites of international, medical, cultural and movie, news, auction, financial and foreign affairs institutions.

At the initial stage, we have already made efforts to precisely locate relevant architectures and plan meticulously step by step. We have also discussed on the feasibility of retaining the historical architectural style and protective development of the Ancient Street with expert groups of Chongqing and the professional institutes including the Palace Museum. With the support of all walks of life, we hope to fully present the breathing ancient architecture so as to integrate history and culture into city development.

Conclusion

Looking forward, we will continue to promote sustainable development and fulfill our responsibilities as a corporate citizen. On one hand, we endeavor to create living environment fitting features of each city and protect environment and local culture from the perspective of development. On the other hand, we will stay committed to building new communities with the vision of futurism and sustainable development, and meanwhile improve city functions and promote city value through project development. We are aimed to optimize corporate governance by virtue of business development and operation management, and contribute more to economy, environment and communities, as an effort to build a sustainable society. We are convinced that the developmental philosophy of Sunshine 100 will spread to more and more peers and then deliver lasting benefits to the whole society.

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 224, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Valuation of investment properties

Refer to Note 11 to the consolidated financial statements and the accounting policies on page 128.

The Key Audit Matter	How the matter was addressed in our audit
The Group held investment properties with a total carrying amount of RMB9,111,522,000 as at 31 December 2016, which accounted for 17.2% of the Group's total assets as at that date. The net changes in fair value of investment properties recorded in the consolidated statement of comprehensive income represented 168.9% of the Group's profit before taxation for the year ended 31 December 2016. The investment properties principally comprise office and retail properties mainly located in tier 2 and tier 3 cites in Mainland China. The fair values of investment properties as at 31 December 2016 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.	Our audit procedures to assess the valuation of investment properties included: • evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity; • meeting with the external property valuer to assess the approach to the valuations and the findings, reviewing management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer; • assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;

The Key Audit Matter	**How the matter was addressed in our audit**
We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and may be subject to management bias.	• involving our internal valuation specialists to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted and challenging the assumptions used, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics; • comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and • considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Assessing the net realisable value for properties under development and completed properties held for sale

Refer to Note 15 to the consolidated financial statements and the accounting policies on page 134.

The Key Audit Matter

The carrying value of properties under development and completed properties held for sale totalled RMB28,362,478,000 as at 31 December 2016, which accounted for 53.4% of the Group's total assets as at that date. Properties under development and completed properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 2 and tier 3 cities in Mainland China, and are stated at the lower of cost and net realisable value.

The assessment of the net realisable value of properties under development and completed properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified assessing the net realisable value of properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development and completed properties held for sale included:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;
- conducting site visits to property development sites, on a sample basis, discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;
- challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of a similar type and size and in similar a location;
- assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and;
- evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

Assessing the recoverability of RMB581,089,000 due from the Government of Chenghua District in Chengdu

Refer to Note 17 to the consolidated financial statements and the accounting policies on page 130.

The Key Audit Matter

Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group has an entitlement to receive RMB581,089,000 from the Government of Chenghua District. The Government of Chenghua District issued a noticed dated 2 July 2013 to confirm this amount.

Considering the long ageing of the receivable, in February 2015, the Group sued the Government of Chenghua District and asked for the repayment of the RMB581,089,000 as well as a penalty of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to negotiate further to attempt to reach a settlement. As of the date of this report, the Group is still in negotiation with the Government of Chenghua District.

As at 31 December 2016, the directors of the Group were of the opinion that the RMB581,089,000 due from the Government of Chenghua District was fully recoverable and no provision was required, taking into consideration a legal opinion received from an external lawyer about the expected outcome of the lawsuit and also taking into consideration that there is no indication that the Government of Chenghua District does not have the financial ability to fulfil its obligations to settle the balance.

We identified the recoverability of RMB581,089,000 due from the Government of Chenghua District as a key audit matter because of its financial significance to the Group and because the assessment of its recoverability requires the application of management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of RMB581,089,000 due from the Government of Chenghua District included:

- obtaining and inspecting the legal opinion issued by the Group's external lawyer which opined on the legitimacy of the Group's right to receive the outstanding balance; and

- assessing management's judgement in connection with the recoverability of the outstanding balance, including comparing management's assessment with the legal opinion provided by the external lawyer and the progress of the negotiations with the Government of Chenghua District as demanded by the court and challenging management's assessment in respect of the ability of the Government of Chengdu District to repay the receivable with reference to reports which disclose relevant financial data published by the Government of Chenghua District.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the part of annual report received prior to the date of this auditor's report and expect the remaining other information to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor’s responsibility for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 March 2017

Consolidated Statement of Comprehensive Income

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

	Note	**2016** **RMB'000**	2015 RMB'000
Revenue	2	**6,965,202**	6,418,190
Cost of sales		**(5,880,748)**	(5,249,703)
Gross profit		**1,084,454**	1,168,487
Valuation gains on investment properties	11	**910,917**	578,179
Other (losses)/income	3	**(39,760)**	246,841
Selling expenses		**(787,685)**	(576,032)
Administrative expenses		**(458,117)**	(404,275)
Other operating expenses		**(36,165)**	(47,486)
Profit from operations		**673,644**	965,714
Finance income	4(a)	**136,980**	86,528
Finance costs	4(a)	**(341,802)**	(171,212)
Share of profits less losses of associates and a joint venture		**70,603**	121,522
Profit before taxation	4	**539,425**	1,002,552
Income tax	5	**(308,058)**	(389,593)
Profit for the year		**231,367**	612,959
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(12,528)**	(2,780)
Total comprehensive income for the year		**218,839**	610,179

The notes on pages 123 to 224 form part of these financial statements. Details of dividends payables to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(b).

Consolidated Statement of Comprehensive Income

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

	Note	2016 RMB'000	2015 RMB'000
Profit attributable to:			
Equity shareholders of the Company		**195,405**	600,591
Non-controlling interests		**35,962**	12,368
Profit for the year		**231,367**	612,959
Total comprehensive income attributable to:			
Equity shareholders of the Company		**182,877**	597,811
Non-controlling interests		**35,962**	12,368
Total comprehensive income for the year		**218,839**	610,179
Basic and diluted earnings per share (RMB)	8	**0.08**	0.27

The notes on pages 123 to 224 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property and equipment	10	**745,980**	784,100
Investment properties	11	**9,111,522**	7,964,552
Restricted deposits	18	**338,871**	405,019
Investments in associates and a joint venture	13	**642,004**	536,496
Trade and other receivables	17	**137,348**	294,300
Deferred tax assets	14(b)	**1,010,103**	730,423
Total non-current assets		**11,985,828**	10,714,890
Current assets			
Properties under development and completed properties held for sale	15	**28,362,478**	24,541,073
Land development for sale	16	**784,398**	767,869
Trade and other receivables	17	**5,531,218**	5,091,648
Restricted deposits	18	**1,956,703**	698,178
Cash and cash equivalents	19	**4,467,731**	1,325,221
Total current assets		**41,102,528**	32,423,989
Current liabilities			
Loans and borrowings	20	**8,551,448**	7,577,551
Trade and other payables	21	**6,714,767**	6,166,680
Contract retention payables		**253,256**	161,917
Sales deposits	22	**6,615,966**	4,408,362
Current tax liabilities	14(a)	**1,020,852**	1,025,252
Total current liabilities		**23,156,289**	19,339,762
Net current assets		**17,946,239**	13,084,227
Total assets less current liabilities		**29,932,067**	23,799,117

The notes on pages 123 to 224 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Loans and borrowings	20	**18,201,011**	12,190,959
Contract retention payables		**235,268**	216,139
Trade and other payables	21	**463,996**	880,943
Deferred tax liabilities	14(b)	**3,350,153**	3,008,661
Total non-current liabilities		**22,250,428**	16,296,702
NET ASSETS		**7,681,639**	7,502,415
CAPITAL AND RESERVES	23		
Share capital		**18,718**	18,718
Reserves		**6,220,334**	6,177,367
Total equity attributable to equity shareholders of the Company		**6,239,052**	6,196,085
Non-controlling interests		**1,442,587**	1,306,330
TOTAL EQUITY		**7,681,639**	7,502,415

Approved and authorised for issue by the board of directors on 29 March 2017.

YI Xiaodi
Director

FAN Xiaochong
Director

The notes on pages 123 to 224 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	General reserve fund *RMB'000*	Property revaluation reserve *RMB'000*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2015	15,760	1,845,889	–	501,913	9,865	2,246,448	4,619,875	896,153	5,516,028
Changes in equity for 2015:									
Profit for the year	–	–	–	–	–	600,591	600,591	12,368	612,959
Other comprehensive income	–	–	(2,780)	–	–	–	(2,780)	–	(2,780)
Total comprehensive income	–	–	(2,780)	–	–	600,591	597,811	12,368	610,179
Acquisition of subsidiaries	–	–	–	–	–	–	–	453,182	453,182
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(50,400)	(50,400)
Issuance of shares	2,958	1,002,524	–	–	–	–	1,005,482	–	1,005,482
Cost of issuance of shares	–	(27,083)	–	–	–	–	(27,083)	–	(27,083)
Disposal of subsidiaries	–	–	–	–	–	–	–	(4,973)	(4,973)
Transfer to general reserve fund	–	–	–	57,725	–	(57,725)	–	–	–
Balance at 31 December 2015 and 1 January 2016	**18,718**	**2,821,330**	**(2,780)**	**559,638**	**9,865**	**2,789,314**	**6,196,085**	**1,306,330**	**7,502,415**
Changes in equity for 2016:									
Profit for the year	**-**	**-**	**-**	**-**	**-**	**195,405**	**195,405**	**35,962**	**231,367**
Other comprehensive income	**-**	**-**	**(12,528)**	**-**	**-**	**-**	**(12,528)**	**-**	**(12,528)**
Total comprehensive income	**-**	**-**	**(12,528)**	**-**	**-**	**195,405**	**182,877**	**35,962**	**218,839**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,795**	**15,795**
Equity transaction with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91,500**	**91,500**
Dividend approved in respect of the previous year (Note 23)	**-**	**-**	**-**	**-**	**-**	**(139,910)**	**(139,910)**	**-**	**(139,910)**
Distribution to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,000)**	**(7,000)**
Transfer to general reserve fund	**-**	**-**	**-**	**69,399**	**-**	**(69,399)**	**-**	**-**	**-**
Balance at 31 December 2016	**18,718**	**2,821,330**	**(15,308)**	**629,037**	**9,865**	**2,775,410**	**6,239,052**	**1,442,587**	**7,681,639**

The notes on pages 123 to 224 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		**539,425**	1,002,552
Adjustments for:			
– Depreciation	4(c)	**56,837**	58,576
– Valuation gains on investment properties	11	**(910,917)**	(578,179)
– Finance costs		**339,342**	163,487
– Finance income	4(a)	**(136,980)**	(86,528)
– Gains on disposal of a subsidiary	3	**–**	(78,735)
– Net loss on disposal of property and equipment	4(c)	**1,163**	397
– Net losses/(gains) on disposal of investment properties		**22,320**	(264)
– Impairment loss on trade and other receivables	4(c)	**4,277**	8,675
– Write-down of properties under development and completed properties held for sale	4(c)	**48,113**	223,821
– Gains on acquisition of subsidiaries	3	**–**	(155,064)
– Remeasurement to fair value of pre-existing interest in acquire	3	**34,188**	–
– Share of profits less losses of associates and a joint venture		**(70,603)**	(121,522)
		(72,835)	437,216
Decrease in properties under development and completed properties held for sale		**177,850**	281,924
Increase in land development for sale		**(16,529)**	(15,060)
Decrease/(increase) in trade and other receivables		**841,926**	(696,158)
Decrease/(increase) in restricted deposits		**61,565**	(252,975)
Decrease in trade and other payables, and contract retention payables		**(1,179,793)**	(1,387,957)
Increase in sales deposits		**1,843,247**	254,672
Cash generated from/(used in) operation		**1,655,431**	(1,378,338)
Income tax paid		**(359,225)**	(225,229)
Net cash generated from/(used in) operating activities		**1,296,206**	(1,603,567)

The notes on pages 123 to 224 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	**2016 RMB'000**	2015 RMB'000
Investing activities			
Finance income received		**66,981**	71,834
Net cash inflow from disposal of a subsidiary		**–**	29,733
Proceeds from disposal of property and equipment		**2,910**	3,262
Proceeds from disposal of investment properties		**88,533**	5,153
Proceeds from disposal of an associate		**18,358**	–
Acquisition of subsidiaries, net of cash acquired		**(102,253)**	(410,421)
Acquisition of property and equipment		**(22,313)**	(36,070)
Acquisition of investment properties		**(304,789)**	(566,154)
Acquisition of associates and a joint venture		**(112,430)**	(130,238)
Repayment of advances to related parties		**3,000**	20
Advances to related parties		**(3,000)**	(363,735)
Repayment of advances to third parties		**265,288**	–
Advances to third parties		**(741,000)**	(783,589)
Net cash used in investing activities		**(840,715)**	(2,180,205)
Financing activities			
Proceeds from loans and borrowings		**10,623,670**	8,205,355
Repayment of loans and borrowings		**(10,342,829)**	(8,519,648)
Proceeds from issuance of shares, net of listing expenses		**–**	978,399
Proceeds from issue of corporate bonds		**4,425,730**	3,444,500
Proceeds from issue of convertible bonds		**1,309,526**	–
Interest paid		**(1,886,253)**	(1,776,508)
(Increase)/decrease in restricted deposits		**(1,306,606)**	277,692
Advances from related parties		**412,611**	17,157
Repayment of advances from related parties		**(396,336)**	(15,830)
Acquisition of non-controlling interests		**–**	(50,400)
Dividends paid		**(146,910)**	–
Net cash generated from financing activities		**2,692,603**	2,560,717
Net increase/(decrease) in cash and cash equivalent		**3,148,094**	(1,223,055)
Cash and cash equivalents at 1 January	19	**1,325,221**	2,557,846
Effect of foreign exchange rate changes		**(5,584)**	(9,570)
Cash and cash equivalents at 31 December	19	**4,467,731**	1,325,221

The notes on pages 123 to 224 form part of these financial statements.

Notes to the Financial Statements

1 Significant accounting policies

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and a joint venture.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People's Republic of China (the "PRC").

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

– investment property (see Note 1(i));

– financial instruments classified as available-for-sale or as trading securities (see Note 1(g));

– derivative financial instruments (see Note 1(h)); and

– loans and borrowings designated at fair value through profit or loss (see Note 1(p)(ii)).

1 Significant accounting policies (Continued)

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 28.

(c) Changes in accounting policies

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

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

(d) Subsidiaries and non-controlling interests

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

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

1 Significant accounting policies (Continued)

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(p), (q) or (r) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (Continued)

(e) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 1(f) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

1 Significant accounting policies (Continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

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

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in Notes 1(w)(v) and (vi).

1 Significant accounting policies (Continued)

(g) Other investments in debt and equity securities (Continued)

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortized cost less impairment losses (see Note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses (see Note 1(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in Notes 1(w)(v) and (vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognized in profit or loss.

When the investments are derecognized or impaired (see Note 1(l)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 1(w)(iii).

1 Significant accounting policies (Continued)

(i) Investment property (Continued)

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)).

The cost of self-constructed items of property includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(y)).

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

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

– Hotel properties	30–40 years
– Supermarkets	20–30 years
– Office premises	20–30 years
– Motor vehicles	5–8 years
– Office equipment	3–5 years

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

(k) Operating lease charges

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

1 Significant accounting policies (Continued)

(l) Impairment of assets

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

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

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

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

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see Note 1(e)) and investments in subsidiaries in the Company's statement of financial position (see Note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(l)(ii).

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

1 Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

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

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

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

– For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

  Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

1 Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of loans and receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

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

- property, plant and equipment
- goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually, whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(l)(i) and (ii)).

Impairment losses recognized in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognized in other comprehensive income and not profit or loss.

1 Significant accounting policies (Continued)

(m) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalized borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realizable value. Net realizable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realizing the revenue derived from the sale of land development for sale based on prevailing market conditions.

(n) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

– **Property under development for sale**

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see Note 1(y)). Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for sale**

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

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

The amount of any write-down of properties under development and completed properties held for sale to net realisable value are recognized as an expense in the period the write-down occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognized as a reduction in the amount of properties held for sale recognized as an expense in the period in which the reversal occurs.

1 Significant accounting policies (Continued)

(o) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Loans and borrowings

The Group adopted two measurement methods on loans and borrowings.

(i) Loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(ii) Loans and borrowings are designated at fair value through profit or loss upon initial recognition when:

- the loans and borrowings are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the loans and borrowings contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; and
- the separation of the embedded derivatives from the financial instrument is not prohibited.

Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

1 Significant accounting policies (Continued)

(q) Convertible bonds

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(ii) Other convertible notes

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 1(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

1 Significant accounting policies (Continued)

(q) Convertible bonds (Continued)

(ii) Other convertible notes (Continued)

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(r) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(v)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

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

(t) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

(ii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

1 Significant accounting policies (Continued)

(u) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies (Continued)

(u) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

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

  – the same taxable entity; or

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

1 Significant accounting policies (Continued)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with Note 1(v)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with Note 1(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(v)(iii).

1 Significant accounting policies (Continued)

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

(iii) Other provisions and contingent liabilities

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

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

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial positions as sales deposits.

(ii) Revenue from land development for sale

Revenue from land development for sale is recognized upon the transfer of risks and rewards in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

1 Significant accounting policies (Continued)

(w) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Rental income from operating leases excludes business tax. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iv) Property management and hotel operation income

Property management and hotel operation income is recognized over the periods in which the services management are rendered. Property management and hotel operation income excludes business tax.

(v) Interest income

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

(vi) Dividends

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

(x) Translation of foreign currencies

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

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

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

1 Significant accounting policies (Continued)

(x) Translation of foreign currencies (Continued)

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

(y) Borrowing costs

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

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (Continued)

(z) Related parties (Continued)

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

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

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

(iii) Both entities are a joint venture of the same third party.

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

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

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

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

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

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

(aa) Segment reporting

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

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

2 Revenue

The principal activities of the Group are property and land development, property investment and property management and hotel operation. Revenue represents sale of properties, rental income from investment properties and property management and hotel operation income, net of business tax, analyzed as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Sale of properties	**6,519,910**	5,983,945
Property management and hotel operation income	**342,277**	318,829
Rental income from investment properties	**103,015**	115,416
	6,965,202	6,418,190

3 Other (losses)/income

	2016 ***RMB'000***	2015 *RMB'000*
Remeasurement to fair value of pre-existing interest in acquiree	**(34,188)**	–
Net (losses)/gains on disposal of investment properties	**(22,320)**	264
Gains on disposal of a subsidiary	**–**	78,735
Gains on acquisition of subsidiaries	**–**	155,064
Others	**16,748**	12,778
	(39,760)	246,841

4 Profit before taxation

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

(a) Finance income and finance costs

	Note	2016 RMB'000	2015 RMB'000
Finance income			
Interest income on financial assets not at fair value through profit or loss		**(136,980)**	(71,504)
Net change in fair value of the loans from Hangzhou Industrial and Commerce Trust		**–**	(15,024)
		(136,980)	(86,528)
Finance costs			
Total interest expense on loans and borrowings not at fair value through profit or loss		**2,116,903**	1,805,884
Less: Interest expense capitalized into land development for sale, properties under development and investment properties under construction	(i)	**(1,918,382)**	(1,675,192)
		198,521	130,692
Net change in fair value of the derivative components of the convertible bonds (Note 20(c))		**43,858**	–
Net foreign exchange loss		**55,375**	1,143
Bank charges and others		**44,048**	39,377
		341,802	171,212

Note:

(i) The borrowing costs have been capitalized at a rate of 3.29%–15.00% per annum (2015: 5.50%–15.00%).

4 Profit before taxation (Continued)

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Contributions to defined contribution retirement plan	**31,182**	31,567
Salaries, wages and other benefits	**460,813**	411,178
	491,995	442,745

(c) Other items

	2016 RMB'000	2015 RMB'000
Depreciation	**56,837**	58,576
Net loss on disposal of property and equipment	**1,163**	397
Operating lease charges in respect of properties	**39,155**	18,296
Rental receivable from investment properties less direct outgoing of RMB Nil	**(103,015)**	(115,416)
Impairment loss of trade and other receivables	**4,277**	8,675
Write-down of properties under development and completed properties held for sale	**48,113**	223,821
Auditors' remuneration		
– Audit services	**8,736**	8,031
– Tax services	**200**	212

5 Income tax in the consolidated statements of comprehensive income

(a) Taxation in the consolidated statements of comprehensive income represents:

	Note	2016 RMB'000	2015 RMB'000
Provision for the year			
– PRC Corporate Income Tax		**170,410**	202,273
– Land Appreciation Tax		**117,609**	111,102
(Over-provision)/under-provision of PRC Corporate Income Tax in respect of prior years		**(24,829)**	10,445
Deferred tax	14(b)	**44,868**	65,773
		308,058	389,593

5 Income tax in the consolidated statements of comprehensive income (Continued)

(a) Taxation in the consolidated statements of comprehensive income represents: (Continued)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Company and its subsidiaries incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 3% to 7% based on types of properties.

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

	2016 ***RMB'000***	2015 *RMB'000*
Profit before taxation	**539,425**	1,002,552
Notional tax at profit before taxation, calculated at the tax rate of 25%	**134,856**	250,638
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(29,402)**	(27,776)
Tax effect of unused tax losses not recognized	**52,525**	83,567
Tax effect of share of profits less losses of associates and a joint venture	**(17,651)**	(30,381)
Tax effect of non-deductible expenses	**74,950**	54,204
Tax effect of non-taxable income	**–**	(62,206)
(Over-provision)/under-provision in prior years	**(24,829)**	10,445
Provision for Land Appreciation Tax	**117,609**	111,102
Actual tax expense	**308,058**	389,593

6 Directors' emoluments

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

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
2016					
Chairman:					
Mr. Yi Xiaodi	–	1,246	526	27	1,799
Executive director:					
Mr. Fan Xiaochong	–	1,182	503	23	1,708
Non-executive directors:					
Ms. Fan Xiaohua ("Ms. Fan")	–	580	130	–	710
Mr. Wang Gongquan	197	–	–	–	197
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	215	–	–	–	215
Mr. Gu Yunchang	215	–	–	–	215
Mr. Wang Bo	197	–	–	–	197
	824	3,008	1,159	50	5,041

6 Directors' emoluments (Continued)

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
2015					
Chairman:					
Mr. Yi Xiaodi	–	1,191	528	30	1,749
Executive director:					
Mr. Fan Xiaochong	–	1,142	737	28	1,907
Non-executive directors:					
Ms. Fan	–	581	130	–	711
Mr. Wang Gongquan (appointed on 1 August 2015)	82	–	–	–	82
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	201	–	–	–	201
Mr. Chen Jinsong (resigned on 27 August 2015)	128	–	–	–	128
Mr. Gu Yunchang	201	–	–	–	201
Mr. Wang Bo (appointed on 1 August 2015)	82	–	–	–	82
	694	2,914	1,395	58	5,061

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2015: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other emoluments	**4,060**	3,774
Discretionary bonuses	**1,766**	1,008
Retirement scheme contributions	**25**	78
	5,851	4,860

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2016 Numbers of individuals	2015 Numbers of individuals
HKD1,500,001 to HKD2,000,000	**2**	–
HKD2,000,001 to HKD2,500,000	**–**	3
HKD2,500,001 to HKD3,000,000	**1**	–

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB195,405,000 (2015: RMB600,591,000) and the weighted average of 2,375,000,000 ordinary shares (2015: 2,194,791,667) shares in issue during the year, calculated as follows:

	2016	2015
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January 2,375,000,000	**2,375,000,000**	2,000,000.000
Effect of issuance of shares	**–**	194,791,667
Weighted average number of ordinary shares at 31 December	**2,375,000,000**	2,194,791,667

There was no difference between basic and diluted earnings per share.

9 Segment reporting

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, and property management and hotel operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following four reportable segments:

(a) the mixed-use business complexes segment that develops and sells business complex products;

(b) the multi-functional residential communities segment that develops and sells residential properties and develops land;

(c) investment properties segment that leases offices and commercial premises; and

(d) the property management and hotel operation segment that provides property management service and hotel accommodation services.

9 Segment reporting (Continued)

No operating segments have been aggregated to form the above reportable segments.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, finance costs, income tax, additions on investment properties and property and equipment, and loans and borrowings.

9 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for purposes of resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

	Year ended 31 December 2016				
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Total *RMB'000*
Reportable segment revenue	**1,153,864**	**5,366,046**	**103,015**	**433,372**	**7,056,297**
Cost of sales	(888,547)	(4,782,367)	–	(339,300)	(6,010,214)
Reportable segment gross profit	**265,317**	**583,679**	**103,015**	**94,072**	**1,046,083**
Valuation gains on investment properties	–	–	910,917	–	910,917
Net operating expenses	(203,194)	(1,071,209)	(10,906)	(65,839)	(1,351,148)
Finance costs	(45,436)	(34,374)	(1,429)	(13,943)	(95,182)
Reportable segment profit/(loss) before taxation	**16,687**	**(521,904)**	**1,001,597**	**14,290**	**510,670**
Income tax	(29,651)	(116,379)	(228,867)	(56)	(374,953)
Reportable segment (loss)/profit	**(12,964)**	**(638,283)**	**772,730**	**14,234**	**135,717**
Additions on investment properties and property and equipment	3,247	8,130	308,105	9,007	328,489

9 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	At 31 December 2016				
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Total *RMB'000*
Loans and borrowings	**4,201,498**	**17,268,645**	**–**	**728,170**	**22,198,313**
Reportable segment assets	**11,425,130**	**28,786,048**	**9,433,109**	**1,082,233**	**50,726,520**
Reportable segment liabilities	**12,203,037**	**29,427,459**	**375,439**	**789,089**	**42,795,024**

9 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2015				
	Mixed-use business complexes RMB'000	Multi-functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Total RMB'000
Reportable segment revenue	549,942	5,434,003	115,416	359,482	6,458,843
Cost of sales	(457,892)	(4,557,250)	–	(283,145)	(5,298,287)
Reportable segment gross profit	92,050	876,753	115,416	76,337	1,160,556
Valuation gains on investment properties	–	–	578,179	–	578,179
Net operating expenses	(121,353)	(758,316)	(12,528)	(50,747)	(942,944)
Finance costs	(50,576)	(6,327)	(1,219)	(32,879)	(91,001)
Reportable segment (loss)/ profit before taxation	(79,879)	112,110	679,848	(7,289)	704,790
Income tax	(3,356)	(211,666)	(141,636)	(18)	(356,676)
Reportable segment (loss)/profit	(83,235)	(99,556)	538,212	(7,307)	348,114
Additions on investment properties and property and equipment	1,930	8,547	504,937	18,798	534,212

	At 31 December 2015				
	Mixed-use business complexes RMB'000	Multi-functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Total RMB'000
Loans and borrowings	3,607,798	13,140,305	19,799	–	16,767,902
Reportable segment assets	9,117,447	23,337,855	8,339,808	579,454	41,374,564
Reportable segment liabilities	9,585,967	22,296,462	376,171	220,456	32,479,056

9 Segment reporting (Continued)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	**7,056,297**	6,458,843
Elimination of intra-group revenue	**(91,095)**	(40,653)
Consolidated revenue	**6,965,202**	6,418,190
Profit		
Reportable segment profit	**135,717**	348,114
Elimination of intra-group (profit)/loss	**(72,968)**	15,359
Unallocated head office and corporate income	**168,618**	249,486
Consolidated profit	**231,367**	612,959
Loans and borrowings		
Reportable segment loans and borrowings	**22,198,313**	16,767,902
Unallocated head office and corporate loans and borrowings	**4,554,146**	3,000,608
Consolidated loans and borrowings	**26,752,459**	19,768,510

9 Segment reporting (Continued)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	2016 RMB'000	2015 RMB'000
Assets		
Reportable segment assets	**50,726,520**	41,374,564
Elimination of intra-group balances	**(11,520,896)**	(7,866,703)
Unallocated head office and corporate assets	**13,882,732**	9,631,018
Consolidated total assets	**53,088,356**	43,138,879
Liabilities		
Reportable segment liabilities	**42,795,024**	32,479,056
Elimination of intra-group balances	**(13,172,457)**	(8,375,781)
Unallocated head office and corporate liabilities	**15,784,150**	11,533,189
Consolidated total liabilities	**45,406,717**	35,636,464

(c) Geographical information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

10 Property and equipment

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2015	717,355	145,700	166,906	42,856	70,588	1,143,405
Acquisition of subsidiaries	–	–	–	3,075	2,974	6,049
Additions	1,112	10,931	1,490	4,491	14,137	32,161
Transfer to investment properties (Note 11)	(68,130)	(97,224)	–	–	–	(165,354)
Disposals	(9)	–	(1,938)	(2,592)	(3,524)	(8,063)
At 31 December 2015	650,328	59,407	166,458	47,830	84,175	1,008,198
At 1 January 2016	**650,328**	**59,407**	**166,458**	**47,830**	**84,175**	**1,008,198**
Acquisition of subsidiaries	**–**	**–**	**–**	**696**	**489**	**1,185**
Additions	**3,048**	**–**	**3,531**	**5,286**	**9,740**	**21,605**
Disposals	**–**	**–**	**(2,188)**	**(4,252)**	**(5,412)**	**(11,852)**
At 31 December 2016	**653,376**	**59,407**	**167,801**	**49,560**	**88,992**	**1,019,136**

10 Property and equipment (Continued)

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2015	67,021	–	38,548	27,038	43,858	176,465
Charge for the year	32,383	4,911	6,218	5,656	9,408	58,576
Transfer to investment properties (Note 11)	(3,056)	(3,483)	–	–	–	(6,539)
Written back on disposals	(8)	–	(11)	(1,776)	(2,609)	(4,404)
At 31 December 2015	96,340	1,428	44,755	30,918	50,657	224,098
At 1 January 2016	**96,340**	**1,428**	**44,755**	**30,918**	**50,657**	**224,098**
Charge for the year	**29,930**	**2,429**	**6,093**	**5,744**	**12,641**	**56,837**
Written back on disposals	**–**	**–**	**(206)**	**(2,718)**	**(4,855)**	**(7,779)**
At 31 December 2016	**126,270**	**3,857**	**50,642**	**33,944**	**58,443**	**273,156**
Net book value:						
At 31 December 2015	553,988	57,979	121,703	16,912	33,518	784,100
At 31 December 2016	**527,106**	**55,550**	**117,159**	**15,616**	**30,549**	**745,980**

(a) The analysis of net book value of properties

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB699,815,000 as at 31 December 2016 (2015: RMB733,670,000), were under medium-term leases in the PRC.

(b) Certain portion of the Group's hotel properties were pledged against certain loans and borrowings, details of which are set out on Note 20(h).

(c) As at 31 December 2016, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB38,874,000 (2015: RMB43,462,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

11 Investment properties

	Properties under construction *RMB'000*	Completed properties *RMB'000*	Total *RMB'000*
At 1 January 2015	893,706	5,052,483	5,946,189
Additions	504,817	–	504,817
Transfer from properties under development and completed properties held for sale	453,205	–	453,205
Transfer from property and equipment (Note 10)	–	158,815	158,815
Acquisition of subsidiaries	531,036	–	531,036
Transfer to completed properties	(843,300)	843,300	–
Valuation gains on investment properties for the year	412,967	165,212	578,179
Disposals	–	(4,889)	(4,889)
Disposal of a subsidiary	(202,800)	–	(202,800)
At 31 December 2015	1,749,631	6,214,921	7,964,552
At 1 January 2016	1,749,631	6,214,921	7,964,552
Additions	290,056	5,057	295,113
Transfer from properties under development and completed properties held for sale	12,992	38,801	51,793
Transfer to completed properties	(1,456,500)	1,456,500	–
Valuation gains on investment properties for the year	424,251	486,666	910,917
Disposals	–	(110,853)	(110,853)
At 31 December 2016	1,020,430	8,091,092	9,111,522

11 Investment properties (Continued)

(a) Fair value measurement of properties

(i) Fair value hierarchy

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

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

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

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

	Fair value at 31 December 2016	**Fair value measurements as at 31 December 2016 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Investment properties:				
– Commercial–Mainland China	**9,111,522**	**–**	**–**	**9,111,522**

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Investment properties:				
– Commercial–Mainland China	7,964,552	–	–	7,964,552

11 Investment properties (Continued)

(a) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

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

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2016. The valuations were carried out by Crowe Horwath (HK) Consulting & Valuation Limited ("Crowe Horwath"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price (RMB/sq.m.)	6,140–71,356 (2015: 5,680–69,900)	28,978 (2015: 25,030)
	Income capitalization approach	Capitalisation rate	3.5%–7% (2015: 3.5%–7%)	5.6% (2015: 5.6%)
		Market monthly rent rate (RMB/sq.m.)	13–219 (2015: 11–206)	130 (2015: 119)
Investment properties under construction	Direct comparison approach	Market unit sale price (RMB/sq.m.)	12,375–45,800 (2015: 13,420–25,354)	27,833 (2015: 21,078)

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalization approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalization rate.

11 Investment properties (Continued)

(a) Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by Crowe Horwath by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer's profits. The fair value measurement is positively correlated to the market unit sale price.

The gain/(loss) on disposal of investment properties and changes in fair value of investment properties are presented in "other (losses)/income" and "valuation gains on investment properties" in the consolidated statements of comprehensive income, respectively.

(b) The investment properties were under medium-term leases in the PRC.

(c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 20(h).

(d) As at 31 December 2016, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB1,661,496,000 (2015: RMB1,892,347,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(e) As at 31 December 2016, completed investment properties with carrying value of RMB69,168,000 of the Group (2015: RMB65,805,000), were pledged with banks to secure banking facilities of a third party of the Group until June 2018.

(f) As at 31 December 2016, certain investment properties with carrying value of RMB1,273,000,000 (2015: RMB1,128,300,000) of the Group are not permitted for sale until the end of May 2021.

12 Investments in subsidiaries

As at 31 December 2016, the Company had direct or indirect interests in the following material subsidiaries, all of which are private companies and the Company has the power to govern, particulars of which are set out below:

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
1 Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司**	Guangxi Zhuang, Autonomous Region, the PRC	RMB192,525,900	–	100%	Property development
2 Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司*	Beijing, the PRC	RMB1,000,000,000	–	100%	Investment holding
3 Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100") 重慶陽光壹佰房地產開發有限公司*	Chongqing, the PRC	RMB100,000,000	–	100%	Property development
4 Qing Yuan Liantou Properties Limited ("Qing Yuan Liantou Properties") 清遠聯投置業有限公司*	Guangdong Province, the PRC	HKD256,000,000	–	55%	Property development
5 Hubei Sunshine 100 Real Estate Development Co., Ltd. ("Hubei Sunshine 100") 湖北陽光一百房地產開發有限公司*	Hubei Province the PRC	RMB385,628,100	–	100%	Property development
6 Wuxi Suyuan Real Estate Co., Ltd. ("Wuxi Suyuan") 無錫蘇源置業有限公司*	Jiangsu Province the PRC	RMB300,000,000	–	100%	Property development
7 Sunshine 100 Real Estate (Liaoning) Co., Ltd. ("Liaoning Sunshine 100") 陽光一百置業（遼寧）有限公司*	Liaoning Province the PRC	USD169,000,000	–	100%	Property development
8 Chang Jia International Limited ("Chang Jia") 長佳國際有限公司	the BVI	USD50,000	–	55%	Investment holding Note (i)

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
9 Jinan Sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司*	Shandong Province the PRC	RMB100,000,000	–	49%	Property development Note (i)
10 Liuzhou Sunshine Xinqiannian Real Estate Development Co,. Ltd. ("Liuzhou Xinqiannian") 柳州陽光新千年房地產開發有限公司*	Guangxi Zhuang Autonomous Region the PRC	RMB50,000,000	–	98.75%	Property development
11 Lijiang Snow Mountain Investment Co., Ltd. ("Lijiang Snow Mountain") 麗江雪山投資有限責任公司*	Yunnan Province the PRC	RMB261,500,000	–	51%	Property development
12 Wuxi Jintao Real Estate Development Co., Ltd. ("Wuxi Jintao") 無錫金濤置業發展有限公司*	Jiangsu Province the PRC	RMB150,000,000	–	80%	Property development
13 Wenzhou Center Plaza Construction Development Co., Ltd. ("Wenzhou Center") 溫州中心大廈建設發展有限公司*	Zhejiang Province the PRC	RMB204,080,000	–	51%	Property development Notes (i)
14 Wenzhou Shihe Ecological Town Development Co., Ltd. ("Wenzhou Shihe") 溫州世和生態城開發有限公司*	Zhejiang Province the PRC	RMB204,080,000	–	51%	Property development
15 Chongqing Jiadao Real Estate Development Co., Ltd. ("Chongqing Jiadao") 重慶嘉道房地產開發有限公司*	Chongqing the PRC	RMB20,000,000	–	45%	Property development

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
16 Sunshine 100 Real Estate (Hunan) Development Co., Ltd. ("Hunan Sunshine 100") 陽光壹佰(湖南)置業發展有限責任公司*	Hunan Province the PRC	RMB105,880,000	–	100%	Property development
17 Sunmode Limited ("Sunmode") 新進有限公司	the BVI	USD50,000	100%	–	Investment holding
18 Beijing Century Chengjing Investment Co., Ltd. ("Beijing Century") 北京世紀程景投資有限公司*	Beijing, the PRC	RMB10,000,000	–	100%	Investment holding
19 Beijing Sunshine 100 Assets Operation Co., Ltd. ("Beijing Asset Operation") 北京陽光壹佰資產經營有限公司*	Beijing, the PRC	RMB10,000,000	–	100%	Investment holding
20 Beijing Sunshine 100 Property Services Co., Ltd. ("Beijing Sunshine 100 Property Services") 北京陽光壹佰物業服務有限公司*	Beijing, the PRC	RMB3,000,000	–	100%	Property management
21 Chongqing Rambo Family Hotel Property Services Co., Ltd. ("Chongqing Rambo Family Hotel") 重慶蘭博世家酒店物業服務有限公司*	Chongqing, the PRC	RMB6,000,000	–	100%	Property management

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
22 Gold Leader (Qing Yuan) Properties Limited ("Gold Leader (Qing Yuan)") 金倫(清遠)置業有限公司*	Guangdong Province, the PRC	HKD168,000,000	–	55%	Property development
23 Qing Yuan Delun Properties Limited ("Qing Yuan Delun") 清遠德倫置業有限公司*	Guangdong Province, the PRC	HKD39,355,600	–	55%	Property development
24 Qingyuan Weitai Properties Ltd. ("Qingyuan Weitai") 清遠威泰置業有限公司*	Guangdong Province, the PRC	HKD128,000,000	–	55%	Property development
25 Rich Hope (QY) Properties Ltd. ("Rich Hope (QY)") 威康(清遠)置業有限公司*	Guangdong Province, the PRC	HKD227,000,000	–	55%	Property development
26 Guilin Pingle Sunshine 100 Real Estate Investment Co., Ltd. ("Guilin Pingle Sunshine 100") 桂林平樂陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	–	75%	Property and land development
27 Guangxi Lijin Hotel Management Co., Ltd. ("Guangxi Lijin") 廣西儷錦酒店投資管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	–	75%	Hotel management
28 Liuzhou Lisheng Hotel Management Co., Ltd. ("Liuzhou Lisheng") 柳州麗笙酒店有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB62,500,000	–	99.2%	Hotel management

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
29 Liuzhou Sunshine 100 Real Estate Co., Ltd. ("Liuzhou Sunshine 100") 柳州陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	–	75%	Property development
30 Nanning Sunshine 100 Real Estate Co., Ltd. ("Nanning Sunshine 100") 南寧陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB50,000,000	–	51%	Investment holding
31 Nanning Zhuangye Real Estate Development Co., Ltd. ("Nanning Zhuangye") 南寧壯業房地產開發有限責任公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB20,000,000	–	26%	Property development
32 Wuhan Sunshine 100 Real Estate Co., Ltd. ("Wuhan Sunshine 100") 武漢陽光壹佰置業有限公司*	Hubei Province, the PRC	RMB50,000,000	–	100%	Property development
33 Sunshine 100 Property Development Co., Ltd. ("Sunshine 100 Property Development") 陽光壹佰物業發展有限公司*	Hunan Province, the PRC	RMB50,000,000	–	100%	Property management
34 Liaoning Yingda Weihua Real Estate Development Co., Ltd. ("Yingda Weihua") 遼寧鷹達衛華房地產開發有限公司*	Liaoning Province, the PRC	RMB150,000,000	–	51%	Property development

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
35 Shenyang Sunshine 100 Assets Operation Co., Ltd. ("Shenyang Assets Operation") 瀋陽陽光壹佰資產經營有限公司*	Liaoning Province, the PRC	RMB1,000,000	–	100%	Property management
36 Dongying Shengxing Real Estate Co.,Ltd. ("Dongying Shengxing") 東營勝興置業有限公司*	Shandong Province, the PRC	RMB80,000,000	–	100%	Property development
37 Weifang Sunshine 100 Real Estate Co., Ltd. ("Weifang Sunshine 100") 濰坊陽光壹佰置業有限公司*	Shandong Province, the PRC	RMB200,000,000	–	100%	Property and land development
38 Yantai Yindu Real Estate Co., Ltd. ("Yantai Yindu") 煙台銀都置業有限公司*	Shandong Province, the PRC	RMB15,000,000	–	100%	Property development
39 Yantai Sunshine 100 Commercial Development Co., Ltd. ("Yantai Commercial Development") 煙台陽光壹佰商業發展有限公司*	Shandong Province, the PRC	RMB5,000,000	–	100%	Property investment
40 Yantai Sunshine 100 Property Management Services Co., Ltd. ("Yantai Sunshine 100 Property Management Services") 煙台陽光壹佰物業管理服務有限公司*	Shandong Province, the PRC	RMB5,000,000	–	100%	Property management

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
41 Yantai Sunshine 100 Real Estate Development Co., Ltd. ("Yantai Sunshine 100") 煙台陽光壹佰房地產開發有限公司*	Shandong Province, the PRC	RMB200,000,000	–	100%	Property development
42 Chengdu Xin Sheng Yuan Real Estate Development Co., Ltd. ("Chengdu Xin Sheng Yuan") 成都鑫勝源房地產開發有限公司*	Sichuan Province, the PRC	RMB20,000,000	–	100%	Property development
43 Sunshine 100 Real Estate (Chengdu) Co., Ltd. ("Chengdu Sunshine 100") 陽光壹佰置業(成都)有限公司*	Sichuan Province, the PRC	RMB200,000,000	–	100%	Property and land development
44 Tianjin Lande 100 Real Estate Investment Co., Ltd. ("Tianjin Lande") 天津蘭德壹佰房地產投資有限公司*	Tianjin, the PRC	RMB100,000,000	–	51%	Investment holding
45 Tianjin Meidinghui Commercial Investment Management Co., Ltd. ("Tianjin Meidinghui") 天津美鼎惠商業投資管理有限公司*	Tianjin, the PRC	RMB12,000,000	–	86%	Property investment
46 Tianjin Sentai 100 Real Estate Investment Co., Ltd. ("Tianjin Sentai 100") 天津森泰壹佰置業投資有限公司*	Tianjin, the PRC	RMB100,000,000	–	52%	Property development

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Indirect	Principal activities
47 Tianjin Sunshine 100 Property Services Co., Ltd. ("Tianjin Sunshine 100 Property Services") 天津陽光壹佰物業服務有限公司*	Tianjin, the PRC	RMB6,000,000	–	100%	Property management
48 Tianjin Sunshine 100 Real Estate Development Co., Ltd. ("Tianjin Sunshine 100") 天津陽光壹佰房地產開發有限公司*	Tianjin, the PRC	RMB78,000,000	–	86%	Property development
49 Tianjin Wanyi Real Estate Asset Operation Co., Ltd. ("Tianjin Real Estate Operation") 天津萬怡房地產經營有限公司*	Tianjin, the PRC	RMB500,000	–	100%	Agency service for property sales
50 Chengdu Shen Teng Xiang Construction and Decoration Co., Ltd. ("Chengdu Shen Teng Xiang") 成都盛騰翔建築裝飾工程有限公司*	Sichuan Province, the PRC	RMB2,000,000	–	100%	Decoration and design project
51 Jinan Wanyi Properties Management Co., Ltd. ("Jinan Wanyi") 濟南萬怡物業服務有限公司*	Shandong Province, the PRC	RMB6,000,000	–	49%	Properties management
52 Guangxi Jingqi Investment Co., Ltd. ("Guangxi Jingqi") 廣西景祺投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB100,000,000	–	100%	Investment holding

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
53 Guilin Sunshine 100 Real Estate Co., Ltd. ("Guilin Sunshine 100") 桂林陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB30,000,000	–	100%	Property development
54 Liuzhou Liyi Hotel Management Co., Ltd. ("Liuzhou Liyi") 柳州麗怡酒店管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB1,000,000	–	75%	Hotel management
55 Yantai Sunshine Shengtong Investment Co., Ltd. ("Yantai Shengtong") 煙台陽光盛通投資有限公司*	Shandong Province, the PRC	RMB20,000,000	–	100%	Investment holding
56 Riverside Investment Ltd. ("Riverside")	Mauritius	USD107,175,935	–	100%	Investment holding
57 Chongqing Himalayan Hotel Property Management Co., Ltd. ("Chongqing Himalayan") 重慶喜馬拉雅酒店物業管理有限公司*	Chongqing, the PRC	RMB5,000,000	–	100%	Property management
58 Wenzhou Himalayan Hotel Property Management Co., Ltd. ("Wenzhou Himalayan") 溫州喜馬拉雅酒店物業管理有限公司*	Zhejiang Province, the PRC	RMB10,000,000	–	100%	Property management

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
59 Chongqing Sunshine 100 Hotel Management Co., Ltd. ("Chongqing Sunshine 100 Hotel Management") 重慶陽光壹佰酒店管理有限公司*	Chongqing the PRC	RMB5,000,000	–	100%	Hotel management
60 Weifang Liyi Hotel Management Co., Ltd. ("Weifang Liyi Hotel Management") 濰坊麗怡酒店管理有限公司*	Shandong Province, the PRC	RMB10,000,000	–	100%	Hotel management
61 Sunshine 100 Resort Development Co., Ltd. ("Sunshine 100 Resort")	Saipan, CNMI	USD1,000,000	–	51%	Property development
62 Guangxi Rongyue Consulting Service Co., Ltd. ("Guangxi Rongyue") 廣西榮悦諮詢服務有限公司**	Guangxi Zhuang, Autonomous Region, the PRC	USD500,000	–	100%	Consulting service
63 Beijing Sunshine Star International Management Consulting Co., Ltd ("Beijing Sunshine Star") 北京陽光之星國際管理諮詢有限公司*	Beijing the PRC	RMB1,000,000	–	100%	Investment holding
64 Beijing Yibang Real Estate Development Co., Ltd. ("Beijing Yibang") 北京益邦房地產開發有限公司*	Beijing, the PRC	RMB50,000,000	–	100%	Dormant

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
65 Luen Thai (Qing Yuan) Real Estate Co., Ltd. ("Luen Thai (Qing Yuan)") 聯泰(清遠)房地產有限公司*	Guangdong Province, the PRC	HKD53,500,000	–	55%	Property development
66 Guangxi Sunshine 100 Asset Management Co., Ltd. ("Guangxi Sunshine 100") 廣西陽光壹佰資產管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB2,000,000	–	100%	Investment holding
67 Guilin Pingle Sunshine 100 Nonglinye Co., Ltd. ("Guilin Nonglinye") 桂林平樂陽光壹佰農林業有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB4,500,000	–	100%	Landscaping service
68 Liuzhou Hedingshun Commercial Investment Co., Ltd. ("Liuzhou Hedingshun") 柳州和鼎順商業投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB5,000,000	–	75%	Property investment
69 Liuzhou Yuandingchang Commercial Investment Co., Ltd. ("Liuzhou Yuandingchang") 柳州元鼎昌商業投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB5,000,000	–	75%	Property investment
70 Hunan Hui Jin Decoration and Design Co., Ltd. ("Hunan Hui Jin") 湖南滙金裝飾設計工程有限公司*	Hunan Province, the PRC	RMB3,000,000	–	100%	Decoration and design project

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
71 Wuxi Liao Hong Tian Construction and Decoration Co., Ltd ("Wuxi Liaohongtian") 無錫遼紅天建築裝飾工程有限公司*	Jiangsu Province, the PRC	RMB10,000,000	–	100%	Construction and decoration project
72 Wuxi Wanyi Nonglin Co., Ltd. ("Wuxi Nonglin") 無錫萬怡農林有限公司*	Jiangsu Province, the PRC	RMB3,000,000	–	100%	Landscaping service
73 Dongying Wanyi Commerce and Trade Co., Ltd. ("Dongying Wanyi") 東營萬怡商貿有限責任公司*	Shandong Province, the PRC	RMB20,000,000	–	100%	Retail
74 Yantai Sunshine Star Shopping Center Management Co., Ltd. ("Yantai Sunshine Star Shopping") 煙台陽光之星購物中心管理有限公司*	Shandong Province, the PRC	RMB10,000,000	–	100%	Dormant
75 Tianjin Mart Time Commercial Investment Management Co., Ltd. ("Tianjin Mart Time") 天津瑪特時光商業投資管理有限公司*	Tianjin, the PRC	RMB10,000,000	–	86%	Property investment

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
76 Hangzhou Hengxin 100 Industrial Co., Ltd. ("Hangzhou Hengxin 100") 杭州恒信壹佰實業有限公司*	Zhejiang Province, the PRC	RMB420,000,000	–	100%	Investment holding
77 Eminent Star Group Limited ("Eminent Star") 卓星集團有限公司	the BVI	USD50,000	–	55%	Investment holding
78 Lofty Talent Limited ("Lofty Talent") 崴駿有限公司	the BVI	USD50,000	–	55%	Investment holding
79 Keyasia Investment Limited ("Keyasia") 基亞投資有限公司	the BVI	USD50,000	–	100%	Investment holding
80 East Talent Properties Limited ("East Talent") 東泰置業有限公司	Hong Kong, Special Administrative Region ("SAR")	HKD10,000	–	55%	Investment holding
81 Gold Leader Properties Limited ("Gold Leader") 金倫置業有限公司	Hong Kong, SAR	HKD10,000	–	55%	Investment holding
82 Rich Hope Properties Limited ("Rich Hope") 威康置業有限公司	Hong Kong, SAR	HKD10,000	–	55%	Investment holding
83 Top Leader Properties Limited ("Top Leader") 德龍置業有限公司	Hong Kong, SAR	HKD10,000	–	55%	Investment holding

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Indirect	Principal activities
84 Victory Land Properties Limited ("Victory Land") 凱龍置業有限公司	Hong Kong, SAR	HKD1	–	55%	Investment holding
85 Victory Link Properties Limited ("Victory Link") 偉隆置業有限公司	Hong Kong, SAR	HKD10,000	–	55%	Investment holding
86 Guilin Pingle Sunshine100 Travel Co., Ltd. ("Guilin Pingle") 桂林平樂陽光壹佰旅遊有限公司*	Guangxi Zhuang Autonomous Region, the PRC	RMB30,000,000	–	75%	Tourism
87 Chengdu Zhanyu Enterprise Management Co., Ltd. ("Chengdu Zhanyu") 成都文創展宇企業管理有限公司*	Sichuan Province, the PRC	RMB2,000,000	–	100%	Enterprise management
88 Shanghai Zhentong Commerce and Trade Co., Ltd. ("Shanghai Zhentong") 上海臻通貿易有限公司*	Shanghai the PRC	RMB100,000,000	–	100%	Retail
89 Shenzhen Qianhai Xingshuntong Industrial Co., Ltd. ("Qianhai Xingshuntong") 深圳市前海興順通實業有限公司*	Guangdong Province, the PRC	RMB100,000,000	–	100%	Investment holding
90 Changzhou Kailei Real Estate Co., Ltd. ("Changzhou Kailei") 常州凱雷置業有限公司**	Jiangsu Province, the PRC	RMB100,000,000	–	60%	Property development

12 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Issued capital	Attributable equity interest Direct	Indirect	Principal activities
91 Paris Feeling International Culture Development (Beijing) Co., Ltd. ("Paris Feeling") 巴黎感覺國際文化發展(北京)有限公司*	Beijing the PRC	RMB10,000,000	–	51%	Culture development
92 Wuxi Sunshine 100 Business Management Co., Ltd. ("Wuxi Business Management") 無錫陽光壹佰商業管理有限公司*	Jiangsu Province, the PRC	RMB1,000,000	–	100%	Business management
93 Weifang 100 Commercial and Trading Co., Ltd. ("Weifang Commercial and Trading") 濰坊壹佰貨商貿有限公司*	Shandong Province, the PRC	RMB4,000,000	–	100%	Retail
94 Shenyang 100 Department Store Co., Ltd. ("Shenyang 100 Store") 沈陽壹佰百貨有限公司*	Liaoning Province, the PRC	RMB30,000,000	–	100%	Retail
95 Hunan Huiyi Enterprise Management Co., Ltd. ("Hunan Huiyi") 湖南匯益企業管理有限公司*	Hunan Province, the PRC	RMB5,000,000	–	100%	Enterprise Management
96 Xizang Sunshine 100 Sales Management Co., Ltd. ("Xizang Sales Management") 西藏陽光壹佰營銷管理有限公司*	Tibetan Autonomous Region, the PRC	RMB100,000,000	–	100%	Sales Management

* The Company is registered as a limited liability company in the PRC.

** The Company is registered as a sino-foreign equity joint venture enterprise in the PRC.

12 Investments in subsidiaries (Continued)

Note:

(i) The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Wenzhou Center, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Jinan Sunshine 100

	2016 *RMB'000*	2015 *RMB'000*
NCI percentage	**51%**	51%
Current assets	**2,217,431**	2,584,498
Non-current assets	**1,044,501**	1,077,065
Current liabilities	**(1,140,101)**	(2,045,414)
Non-current liabilities	**(1,249,420)**	(913,847)
Net assets	**872,411**	702,302
Carrying amount of NCI	**444,930**	358,174
Revenue	**1,147,180**	436,607
Profit for the year	**170,109**	5,110
Total comprehensive income	**170,109**	5,110
Profit allocated to NCI	**86,756**	2,606
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**217,776**	343,402
Cash flows from investing activities	**(34)**	(133)
Cash flows from financing activities	**(593)**	(215,245)

Chang Jia

	2016 *RMB'000*	2015 *RMB'000*
NCI percentage	**45%**	45%
Current assets	**2,535,468**	1,945,667
Non-current assets	**302,520**	176,536
Current liabilities	**(2,209,811)**	(1,484,293)
Non-current liabilities	**(240,237)**	(300,000)
Net assets	**387,940**	337,910
Carrying amount of NCI	**174,573**	152,059
Revenue	**999,210**	676,621
Profit for the year	**50,030**	38,465
Total comprehensive income	**50,030**	38,465
Profit allocated to NCI	**22,514**	17,309
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**276,373**	91,874
Cash flows from investing activities	**106,702**	(141,935)
Cash flows from financing activities	**(299,341)**	35,687

12 Investments in subsidiaries (Continued)

Note: (Continued)

(i) (Continued)

Wenzhou Center

	2016 RMB'000	2015 RMB'000
NCI percentage	**49%**	49%
Current assets	**3,089,881**	2,915,344
Non-current assets	**883,889**	505,205
Current liabilities	**(2,225,542)**	(2,096,099)
Non-current liabilities	**(1,314,590)**	(874,242)
Net assets	**433,638**	450,208
Carrying amount of NCI	**212,483**	220,602

	2016 RMB'000	From 1 September to 31 December 2015 RMB'000
Revenue	**–**	–
Loss for the period	**(16,570)**	(20,297)
Total comprehensive income	**(16,570)**	(20,297)
Loss allocated to NCI	**(8,119)**	(9,946)
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**411,658**	11,284
Cash flows from investing activities	**(74)**	(1,521)
Cash flows from financing activities	**(197,565)**	51,045

13 Investments in associates and a joint venture

The following list contains only the particulars of the material associates, all of which are unlisted corporate entities incorporated in the PRC, whose quoted market prices are not available.

Name of company	Place of incorporation	Particulars of paid-in capital RMB'000	Proportion of ownership interest held by subsidiaries	Principal activities
1 Chongqing Yuneng Wanyi Real Estate Co., Ltd. ("Chongqing Yuneng Wanyi") 重慶渝能萬怡房地產開發有限公司	Chongqing, the PRC	80,000	30%	Property development
2 Beijing Yinxin Guanghua Real Estate Development Co., Ltd. ("Beijing Yinxin") 北京銀信光華房地產開發有限公司	Beijing,the PRC	66,660	49%	Property investment

All of the associates and a joint venture are accounted for using the equity method in the consolidated financial statements.

13 Investments in associates and a joint venture (Continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2016	2015
	RMB'000	*RMB'000*
Chongqing Yuneng Wanyi		
Current assets	**315,730**	359,544
Non-current assets	**311,605**	294,965
Current liabilities	**(430,862)**	(272,763)
Non-current liabilities	**(17,766)**	(193,766)
Equity	**178,707**	187,980
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**178,707**	187,980
Group's effective interest	**30%**	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**53,612**	56,394
Revenue	**61,948**	77,430
Loss from continuing operations	**(9,273)**	(30,057)
Total comprehensive income	**(9,273)**	(30,057)
Dividends received from the associate	**–**	–
Beijing Yinxin		
Current assets	**166,957**	144,674
Non-current assets	**1,146,819**	927,026
Current liabilities	**(105,575)**	(100,168)
Non-current liabilities	**(289,625)**	(225,350)
Equity	**918,576**	746,182
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**918,576**	746,182
Group's effective interest	**49%**	49%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**450,102**	365,629

13 Investments in associates and a joint venture (Continued)

	2016 RMB'000	From 10 April to 31 December 2015 RMB'000
Revenue	**22,070**	19,803
Profit from continuing operations	**172,394**	281,284
Total comprehensive income	**172,394**	281,284
Dividends received from the associate	**–**	–

Aggregate information of associates and a joint venture that are not individually material:

	2016 RMB'000	2015 RMB'000
Aggregate carrying amount of individually immaterial associates and a joint venture in the consolidated financial statements	**138,290**	114,473
Aggregate amounts of the Group's share of those associates' and a joint venture's		
– Loss from continuing operations	**(11,088)**	(7,290)
– Total comprehensive income	**(11,088)**	(7,290)

14 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2016 RMB'000	2015 RMB'000
PRC Corporate Income Tax payable	**642,813**	669,018
Land Appreciation Tax payable	**378,039**	356,234
	1,020,852	1,025,252

14 Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Note	Tax losses	Land development for sale, properties under development and completed properties held for sale	Investment properties	Property and equipment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		67,185	56,481	(922,371)	(9,579)	(808,284)
Acquisition of subsidiaries		96,836	(1,386,688)	(114,329)	–	(1,404,181)
Credited/(charged) to profit or loss	5(a)	38,088	34,513	(138,565)	191	(65,773)
At 31 December 2015		202,109	(1,295,694)	(1,175,265)	(9,388)	(2,278,238)
At 1 January 2016		202,109	(1,295,694)	(1,175,265)	(9,388)	(2,278,238)
Acquisition of subsidiaries		–	(16,944)	–	–	(16,944)
Credited/(charged) to profit or loss	5(a)	200,690	(31,866)	(214,623)	931	(44,868)
At 31 December 2016		402,799	(1,344,504)	(1,389,888)	(8,457)	(2,340,050)

(ii) Reconciliation to the consolidated statement of financial position:

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets recognized in the consolidated statement of financial position	**1,010,103**	730,423
Deferred tax liabilities recognized in the consolidated statement of financial position	**(3,350,153)**	(3,008,661)
	(2,340,050)	(2,278,238)

14 Income tax in the consolidated statement of financial position (Continued)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 1(u), the Group has not recognized deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB738,857,000 at 31 December 2016 (2015: RMB947,171,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant subsidiaries. As at 31 December 2016, RMB89,571,000, RMB255,846,000, RMB77,350,000, RMB136,938,000 and RMB179,152,000 of these tax losses will expire in 2017, 2018, 2019, 2020 and 2021, respectively.

(d) Deferred tax liabilities not recognized

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future. As at 31 December 2016, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB4,758,365,000 (2015: RMB4,255,754,000). Deferred tax liabilities of RMB475,837,000 (2015: RMB425,575,000) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

15 Properties under development and completed properties held for sale

	2016 ***RMB'000***	2015 *RMB'000*
Properties under development	**19,816,443**	17,295,305
Completed properties held for sale	**8,546,035**	7,245,768
	28,362,478	24,541,073

15 Properties under development and completed properties held for sale (Continued)

(a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	2016 RMB'000	2015 RMB'000
In the PRC		
– Long-term lease	**4,188,264**	4,018,193
– Medium-term lease	**2,153,980**	3,370,078
	6,342,244	7,388,271

(b) The amount of properties under development expected to be recovered after more than one year is analyzed as follows:

	2016 RMB'000	2015 RMB'000
Properties under development	**10,244,152**	11,790,516

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount of properties sold	**5,489,736**	4,713,751
Write-down of properties under development and completed properties held for sale	**48,113**	223,821
	5,537,849	4,937,572

(d) Certain properties under development and completed properties held for sale of the Group were pledged against the loans and borrowings, details are set out in Note 20(h).

16 Land development for sale

	2016	2015
	RMB'000	*RMB'000*
Land development for sale	**784,398**	767,869

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realized in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(w)(ii), revenue in relation to land development for sale is recognized depending on the timing of sales of related land plots by the government to third parties.

17 Trade and other receivables

	Note	2016 RMB'000	2015 RMB'000
Trade receivables, net of allowance for doubtful debts of RMB Nil	(a)	**934,370**	1,153,190
Advances provided to third parties	(b)	**2,743,437**	2,282,067
Amounts due from associates and a joint venture	(c)	**1,500**	404,849
Other receivables		**300,917**	193,813
		3,980,224	4,033,919
Less: allowance for doubtful debts	(d)	**9,536**	8,675
Loans and receivables	(e)	**3,970,688**	4,025,244
Deposits and prepayments		**1,697,878**	1,360,704
		5,668,566	5,385,948
Less: non-current portion of trade receivables		**–**	16,661
non-current portion of other receivables		**137,348**	277,639
Sub-total		**137,348**	294,300
		5,531,218	5,091,648

17 Trade and other receivables (Continued)

(a) Ageing analysis

The ageing analysis of trade receivables based on due date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Current	**140,101**	369,931
1 to 6 months past due	**19,536**	34,161
6 months to 1 year past due	**26,081**	28,214
More than 1 year past due	**748,652**	720,884
Amounts past due	**794,269**	783,259
	934,370	1,153,190

The Group's credit policy is set out in Note 26(a).

(b) Advances provided to third parties

The balance mainly represented loans provided to third parties which bear interest rates ranged from nil to 13% and will be due in one year.

(c) Amounts due from an associate and a joint venture

		2016	2015
	Note	***RMB'000***	*RMB'000*
Amounts due from a joint venture	(i)	**–**	362,235
Amounts due from an associate	(ii)	**1,500**	42,614
		1,500	404,849

(i) The balance amounting to RMB362,235,000 as at 31 December 2015 represented loans provided to a joint venture, Chongqing Jiadao, which was changed to a subsidiary of the Group through appointing more board members to obtain control by the Group this year.

(ii) The balance amounting to RMB1,500,000 as at 31 December 2016 (2015: RMB1,500,000) represented loans provided to an associate, bearing an interest rate at 4.85% per annum and will be matured on 15 August 2017.

17 Trade and other receivables (Continued)

(c) Amounts due from an associate and a joint venture (Continued)

Accordingly, the management believes that no impairment allowance is necessary in respect of these balances and the balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Of the remaining balances that were past due but not impaired, the Group holds the title of the property units as collateral over the balance of trade receivables of RMB188,270,000 (2015: RMB172,583,000).

(d) Impairment of loans and receivables

Impairment losses in respect of loans and receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans and receivables directly (see Note 1(l)(i)).

(e) Loans and receivables that are not impaired

The ageing analysis of loans and receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Neither past due nor impaired	**2,976,381**	3,201,805
1 to 6 months past due	**194,574**	44,161
6 months to 1 year past due	**26,081**	28,214
More than 1 year past due	**773,652**	751,064
Amounts past due	**994,307**	823,439
	3,970,688	4,025,244

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.

17 Trade and other receivables (Continued)

Receivables that were past due but not impaired mainly included revenue from land development for sale of RMB581,089,000 as at 31 December 2016 and 31 December 2015 from the government of Chenghua District, Chengdu. Based on a series of agreements entered into by the Group and the government of Chenghua District, Chengdu, the Group is entitled to receive RMB581,089,000 and the government issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a penalty of RMB15,000,000. The first trial was called in court on 17 June 2015. During the first trial, the judge asked the Group and the government of Chenghua District, Chengdu to further negotiate about the settlement of the receivables. As of the date of this report, the Group is still negotiating with the government of Chenghua District, Chengdu.

As at 31 December 2016 and 31 December 2015, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the government of Chenghua District, Chengdu was required, as supported by a legal opinion on the result of the lawsuit received by the Group, and there is no indication that the government of Chenghua District, Chengdu will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, the management believes that no impairment allowance is necessary in respect of these balances and the balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Of the remaining balances that were past due but not impaired, the Group holds the title of the property units as collateral over the balance of trade receivables of RMB188,270,000 (2015: RMB172,583,000).

18 Restricted deposits

	Note	2016 RMB'000	2015 RMB'000
Non-current restricted deposits for:			
– Guarantee for mortgage loans	(i)	**33,457**	83,283
– Guarantee for demolition fees	(ii)	**–**	21,442
– Guarantee for construction fees	(iii)	**55,640**	–
– Restricted cash related to pre-sale proceeds received	(v)	**106,170**	260,783
– Guarantee for loans and borrowings	20(h)	**143,604**	39,511
		338,871	405,019
Current restricted deposits for:			
– Guarantee for mortgage loans	(i)	**176,421**	94,968
– Guarantee for demolition fees	(ii)	**21,506**	–
– Guarantee for construction fees	(iii)	**25,246**	63,640
– Guarantee for bills payable	(iv)	**40,000**	91,000
– Restricted cash related to pre-sale proceeds received	(v)	**325,841**	230,730
– Guarantee for loans and borrowings	20(h)	**1,367,689**	217,840
		1,956,703	698,178
		2,295,574	1,103,197

18 Restricted deposits (Continued)

The above restricted deposits are restricted as follows:

(i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2016, the Group had restricted bank deposits of RMB209,878,000 (2015: RMB178,251,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.

(ii) As at 31 December 2016, the Group had restricted bank deposits of RMB21,506,000 (2015: RMB21,442,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iii) As at 31 December 2016, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB80,886,000 (2015: RMB63,640,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iv) As at 31 December 2016, the Group had restricted bank deposits with terms of four to five months of RMB40,000,000 (2015: RMB91,000,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB432,011,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2016 (2015: RMB491,513,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

Notes to the Financial Statements

19 Cash and cash equivalents

	2016 RMB'000	2015 RMB'000
Cash on hand	**671**	805
Cash at bank	**4,467,060**	1,324,416
	4,467,731	1,325,221

20 Loans and borrowings

	Note	2016 RMB'000	2015 RMB'000
Loans and borrowings at amortized cost			
– Long-term		**13,367,094**	12,563,180
– Short-term		**2,565,627**	2,292,927
– Senior Notes	(a)	**1,469,315**	1,370,087
– Corporate bonds	(b)	**7,888,445**	3,519,095
		25,290,481	19,745,289
Loans at fair value through profit or loss:			
– Loans from Hangzhou Industrial and Commerce Trust		**–**	23,221
Convertible bonds	(c)	**1,461,978**	–
		26,752,459	19,768,510

20 Loans and borrowings (Continued)

(a) Senior Notes

The Company issued senior notes of aggregate amount of USD115,000,000 and USD100,000,000 on 8 October 2014 and 10 December 2014, respectively (the "Senior Notes"), which are interest bearing at 12.75% per annum, due in October 2017 and listed on the Stock Exchange of Hong Kong Limited.

As at 31 December 2016, the Senior Notes were guaranteed by the Company, Sunmode, Riverside and Keyasia, the four subsidiaries of the Company registered in Mauritius, the BVI and the Cayman Islands, respectively. The guarantees will be released upon the full and final payments of the Senior Notes.

The Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2016, none of the covenants relating to the Senior Notes were breached.

(b) Corporate bonds

In 2015 and 2016, Guangxi Vantone issued corporate bonds of RMB7,960,000,000 in total, which comprise following bonds

– 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.85% per annum and an effective interest rate at 8.09% per annum, issued on 16 September 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year;

– 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.95% per annum and an effective interest rate at 8.11% per annum, issued on 16 September 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

– 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 7.99% per annum and an effective interest rate at 8.36% per annum, issued on 12 October 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company);

20 Loans and borrowings (Continued)

(b) Corporate bonds (Continued)

- 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate at 6.9% per annum and an effective interest rate at 6.94% per annum, issued on 25 January 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);

- 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 8.4% per annum and an effective interest rate at 8.44% per annum, issued on 24 February 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);

- 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum, issued on 7 April 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

- 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum, issued on 12 July 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year; and

- 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate at 7.4% per annum and an effective interest rate at 7.53% per annum issued on 13 July 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company).

20 Loans and borrowings (Continued)

(c) Convertible bonds

On 11 August 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,332,300,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 December 2016 until and including the day falling ten days prior to 11 August 2021 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 112.15% of the principle amount. The Company has an early redemption option at any time after 11 August 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 11 August 2019 at early redemption amount of 106.67% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on The Stock Exchange of Hong Kong Limited.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds is measured at fair value and the liability component is carred at amortised cost. As at 31 December 2016, the carrying amounts of liability and derivative components of the convertible bonds were RMB934,084,000 and RMB527,894,000, respectively. No conversion or redemption of the convertible bonds has occurred up to 31 December 2016.

	Derivative component *RMB'000*	**Liabilities component** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	–	–	–
Issuance	456,580	852,946	1,309,526
Fair value adjustment charged to profit or loss	43,858	–	43,858
Accrued interest	–	46,470	46,470
Foreign exchange loss	27,456	34,668	62,124
At 31 December 2016	527,894	934,084	1,461,978

20 Loans and borrowings (Continued)

(d) The Group's long-term loans and borrowings comprise:

	2016 RMB'000	2015 RMB'000
Loans and borrowings at amortized cost:		
Bank loans – secured	**3,691,958**	4,806,785
Loans from other financial institutions – secured	**9,455,136**	7,506,395
Loans from third parties – unsecured	**220,000**	250,000
Senior Notes	**1,469,315**	1,370,087
Corporate bonds	**7,888,445**	3,519,095
	22,724,854	17,452,362
Loans at fair value through profit or loss:		
Loans from Hangzhou Industrial and Commerce Trust	**–**	23,221
Convertible bonds	**1,461,978**	–
	24,186,832	17,475,583
Less: Current portion of long-term loans and borrowings:		
Loans from Hangzhou Industrial and Commerce Trust	**–**	23,221
Bank loans	**1,274,170**	2,144,000
Loans from other financial institutions	**3,022,336**	2,867,403
Loans from third parties	**220,000**	250,000
Senior Notes	**1,469,315**	–
Sub-total	**5,985,821**	5,284,624
	18,201,011	12,190,959

20 Loans and borrowings (Continued)

(e) The Group's short-term loans and borrowings comprise:

	Note	2016 RMB'000	2015 RMB'000
Loans and borrowings at amortized cost:			
Bank loans – secured		**1,406,958**	860,006
Loans from other financial institutions			
– secured		**400,000**	68,800
Loans from related parties			
– unsecured	(i)	**57,866**	420,577
Loans from third parties			
– secured		**245,803**	290,001
– unsecured		**455,000**	653,543
Sub-total		**2,565,627**	2,292,927
Current portion of long-term loans and borrowings		**5,985,821**	5,284,624
		8,551,448	7,577,551

(i) The balance as at 31 December 2016 represented loans amounting to RMB20,817,000 (2015: RMB20,817,000) borrowed from an associate, Chongqing Yuneng Wanyi, bearing an interest rate at 10% per annum and was matured on 15 December 2014, and the loans amounting to RMB37,049,000 (2015: RMB399,760,000) borrowed from Wenzhou Zhongxin Haoyuan Co., Ltd, bearing an interest rate at 12% per annum and had no fixed terms of repayment.

20 Loans and borrowings (Continued)

(f) The Group's effective interest rates per annum on loans and borrowings at amortized cost are as follows:

	2016	2015
Long-term		
Bank loans	4.25%–15.00%	5.50%–15.00%
Loans from other financial institutions	6.63%–14.60%	8.00%–14.60%
Loans from third parties	6.15%–13.00%	6.15%
Senior Notes	12.75%	12.75%
Corporate bonds	6.94%–8.44%	8.09%–8.36%
Convertible bonds	8.59%	–
Short-term		
Bank loans	2.00%–10.60%	2.00%–10.60%
Loans from other financial institutions	8.89%–12.50%	12.50%
Loans from related parties	12.00%	12.00%
Loans from third parties	7.20%–13.50%	11.00%–13.50%

(g) The Group's loans and borrowings are repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	8,551,448	7,577,551
After 1 year but within 2 years	7,622,494	6,037,852
After 2 years but within 5 years	8,277,098	5,860,107
After 5 years	2,301,419	293,000
	18,201,011	12,190,959
	26,752,459	19,768,510

20 Loans and borrowings (Continued)

(h) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group at the end of the reporting period:

(i)

	Note	2016 RMB'000	2015 RMB'000
Property and equipment	10(b)	**527,106**	572,466
Investment properties	11(c)	**4,166,893**	2,662,932
Properties under development and completed properties held for sale	15(d)	**8,583,698**	9,021,977
Restricted deposits	18	**1,511,293**	257,351
		14,788,990	12,514,726

(ii) As at 31 December 2016, loans and borrowings amounted to RMB4,516,783,000, were secured by a charge over the shares of the Company and certain subsidiaries of the Group.

(i) The Group has defaulted in the repayment of loans and borrowings as follows:

	2016 RMB'000	2015 RMB'000
Loan from Chongqing Yuneng Wanyi		
– Principal payables	**20,817**	20,817
– Interest payables	**8,952**	6,837
	29,769	27,654

The loan from Chongqing Yuneng Wanyi was not duly settled as the Group is in the process of negotiating certain transactions with the related party. It will be settled together with the mentioned transactions.

21 Trade and other payables

	Note	2016 RMB'000	2015 RMB'000
Trade payables	(a)	**4,822,274**	4,616,295
Advances received from third parties	(b)	**898,502**	1,362,291
Consideration payables		**114,226**	211,799
Amounts due to related parties	(c)	**147,614**	84,828
Other payables	(d)	**1,022,852**	683,001
Financial liabilities measured at amortized cost		**7,005,468**	6,958,214
Receipts in advance		**118,272**	37,354
Other taxes payable		**55,023**	52,055
		7,178,763	7,047,623
Less: non-current portion of trade payables		**463,996**	880,943
		6,714,767	6,166,680

(a) The ageing analysis of trade payables based on due date is as follows:

	2016 RMB'000	2015 RMB'000
Due within 1 year or on demand	**4,358,278**	3,735,352
Due after 1 year but within 2 years	**235,072**	737,141
Due after 2 years but within 5 years	**228,924**	143,802
	4,822,274	4,616,295

21 Trade and other payables (Continued)

(b) Advances received from third parties

The balances as at 31 December 2016 and 2015 mainly represented advances received from third parties. These advances are interest-free, unsecured and have no fixed terms of repayment except for an advance from a third party amounted to RMB517,500,000, which will be due on 31 December 2017.

(c) Amounts due to related parties

	Note	**2016** **RMB'000**	2015 RMB'000
Amounts due to			
– Entities under control of Ms. Fan	(i)	**29,300**	30,094
– Associates	(ii)	**118,314**	54,734
		147,614	84,828

(i) The balance as at 31 December 2016 represented loans payable to a related party amounting to RMB28,709,000 (2015: RMB28,709,000), bearing an interest rate at 14% per annum, unsecured and had no fixed terms of repayment, and advances received from related parties amounting to RMB591,000 (2015: RMB1,385,000), which were interest-free, unsecured and had no fixed terms of repayment.

(ii) The balance as at 31 December 2016 mainly represented interest payables to associates amounting to RMB98,819,000 (2015:RMB54,734,000) and advances received from associates amounting to RMB19,495,000 (2015: RMB Nil), which were interest-free, unsecured and had no fixed terms of repayment.

(d) Other payables mainly represented interest payables, deposits received from constructors and salary payables.

22 Sales deposits

Sales deposits represented proceeds received on property unit sales that have not been recognized as revenue in accordance with the Group's revenue recognition policy.

23 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company:

	Share capital	Share premium	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	15,760	1,845,889	2,758,226	4,619,875
Changes in equity for 2015:				
Total comprehensive income for the year	–	–	597,811	597,811
Issuance of shares	2,958	1,002,524	–	1,005,482
Cost of issuance of shares	–	(27,083)	–	(27,083)
Balances at 31 December 2015 and 1 January 2016	**18,718**	**2,821,330**	**3,356,037**	**6,196,085**
Changes in equity for 2016:				
Total comprehensive income for the year	**–**	**–**	**42,967**	**42,967**
Balance at 31 December 2016	**18,718**	**2,821,330**	**3,399,004**	**6,239,052**

23 Capital, reserves and dividends (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the end of the reporting period of RMB Nil per ordinary share (2015: RMB5.89 cents per ordinary share)	–	139,910

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB5.89 cents per share (2015: RMB Nil)	**139,910**	–

(c) Share capital

	2016 No of shares	2016 HKD'000	2015 No of shares	2015 HKD'000
Authorised:				
Ordinary shares	**3,000,000,000**	**30,000**	3,000,000,000	30,000

	2016 No of shares	2016 RMB'000	2015 No of shares	2015 RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**2,375,000,000**	**18,718**	2,000,000,000	15,760
Issuance of shares	–	–	375,000,000	2,958
At 31 December	**2,375,000,000**	**18,718**	2,375,000,000	18,718

23 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(x).

(iii) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).

23 Capital, reserves and dividends (Continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2016, the gearing ratio of the Group was 50.39% (2015: 45.83%).

24 Employee benefit plan

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

25 Commitments and contingent liabilities

(a) Capital commitments

As at 31 December 2016 and 2015, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2016 ***RMB'000***	2015 *RMB'000*
Contracted for	**3,355,926**	2,686,005
Approved but not contracted for	**5,938,997**	4,300,189
	9,294,923	6,986,194

25 Commitments and contingent liabilities (Continued)

(b) Operating lease commitments

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**22,848**	9,536
After 1 year but within 5 years	**46,918**	20,662
After 5 years	**2,089**	6,324
	71,855	36,522

(c) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB5,774,209,000 as at 31 December 2016 (2015: RMB5,317,632,000).

(d) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

(e) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

25 Commitments and contingent liabilities (Continued)

(f) Investment properties and properties held for sale

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

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

	2016 ***RMB'000***	2015 *RMB'000*
Within 1 year	**95,563**	110,445
After 1 year but within 5 years	**279,387**	305,875
After 5 years	**333,430**	449,452
	708,380	865,772

26 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. With respect to credit risk arising from trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

With respect to credit risk arising from advances to third parties and amounts due from associates and a joint venture, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and has further business with the Group and the Group does not expect to incur a significant loss for uncollected advances to these parties.

26 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

The receivable from the Group's largest customer accounted for 10.28% of total trade and other receivables as at 31 December 2016 (2015: 10.79%).

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial positions after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in Note 25(c), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in Note 25(c).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17.

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

26 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting periods of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting periods) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB$'000	*RMB$'000*	*RMB$'000*	*RMB$'000*	*RMB$'000*	*RMB$'000*
At 31 December 2016						
Loans and borrowings						
– Long-term	**7,887,413**	**8,873,698**	**9,862,869**	**2,580,347**	**29,204,327**	**24,186,832**
– Short-term	**2,637,213**	**-**	**-**	**-**	**2,637,213**	**2,565,627**
Contract retention payables	**253,256**	**155,893**	**49,061**	**30,314**	**488,524**	**488,524**
Financial liabilities measured at amortized cost	**6,541,472**	**235,072**	**228,924**	**-**	**7,005,468**	**7,005,468**
	17,319,354	**9,264,663**	**10,140,854**	**2,610,661**	**39,335,532**	**34,246,451**
At 31 December 2015						
Loans and borrowings						
– Long-term	6,808,300	6,938,058	6,573,007	355,095	20,674,460	17,452,362
– Short-term	2,473,762	–	–	–	2,473,762	2,292,927
Contract retention payables	161,917	179,920	8,206	28,013	378,056	378,056
Financial liabilities measured at amortized cost	6,077,271	737,141	143,802	–	6,958,214	6,958,214
	15,521,250	7,855,119	6,725,015	383,108	30,484,492	27,081,559

26 Financial risk management and fair values of financial instruments (Continued)

(c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 20(f). The annual interest rates of the Group's deposits at bank ranged from 0.35% to 2.75% as at 31 December 2016. (2015: 0.75% to 2.75%)

The interest rate profile of the Group's interest-bearing financial instruments was:

	2016 *RMB'000*	2015 *RMB'000*
Fixed rate instruments		
Loans and borrowings at amortized cost	**22,315,678**	15,787,504
Convertible bonds- liability components	**934,084**	–
	23,249,762	15,787,504
Variable rate instruments		
Loans and borrowings at amortized cost	**2,974,803**	3,957,785

As at 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB8,917,568 (2015: RMB3,447,000), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB17,857,930 (2015: RMB34,982,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each reporting periods and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of each reporting periods. The analysis is performed on the same basis for 2015.

26 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in trade and other receivables, cash and cash equivalents, restricted deposits and loans and borrowings in the consolidated statement of financial position as at 31 December 2016 and 2015, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	Exposure to foreign currencies (expressed in RMB)			
	2016		2015	
	USD	**HKD**	USD	HKD
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Trade and other receivables	**680,173**	**223,623**	660,074	209,450
Cash and cash equivalents	**88,251**	**8,752**	384	19,099
Restricted deposits	**832,440**	**–**	–	–
Loans and borrowings	**(3,044,182)**	**–**	(1,498,193)	–
Net exposure arising from recognised assets and liabilities	**(1,443,318)**	**232,375**	(837,735)	228,549

5% increase or decrease in USD and HKD exchange rate against RMB, assuming such change had occurred as at 31 December 2016, would decrease/increase the Group's profit after tax and retained profits by approximately RMB60,547,000 (2015: RMB30,459,000).

26 Financial risk management and fair values of financial instruments (Continued)

(e) Fair values

(i) Financial assets and liabilities measured at fair value

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorised into the three level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

		The Group		The Company	
	Note	**2016** **RMB'000**	2015 RMB'000	**2016** **RMB'000**	2015 RMB'000
Recurring fair value measurements					
Level 3					
Derivative component of convertible bonds	20(c)	**527,894**	–	**527,894**	–

26 Financial risk management and fair values of financial instruments (Continued)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

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

Information about Level 3 fair value measurements.

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivative component of convertible bonds	Binomial Tree model	Expected volatility	36.2%–37.2%	36.7%

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2016, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB2,959,813/RMB1,598,589.

The movements during the period in the balance of these Level 3 fair value measurements are as followings:

	2016 RMB'000
Derivative components of convertible bonds	
At 1 January	–
Additions	**456,580**
Changes in fair value recognised in profit or loss during the period	**43,858**
Foreign exchange loss	**27,456**
At 31 December	**527,894**

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at 31 December 2016 and 2015.

27 Material related party transactions

(a) Material transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2016	2015
	RMB'000	*RMB'000*
Advances provided to/(received from)		
– Associates	**(415,090)**	1,500
Repayment of advances (from)/to		
– Associates	**(398,000)**	(20)
Loan repaid to		
– An associate	**247,559**	–
Consideration paid on acquisition of an associate		
– Entities under significant influence of the 8 individuals	**–**	110,488
Loans provided to		
– A joint venture	**–**	362,235
Rental charged by		
– An associate	**2,449**	3,566

27 Material related party transactions (Continued)

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Salaries, wages and other benefits	**18,478**	15,406
Contributions to defined contribution retirement plan	**311**	292
	18,789	15,698

Total remuneration is included in "Staff costs" (see Note 4(b)).

(c) The Listing Rules relating to connected transactions

The related party transactions in respect of rental charged by an associate above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

28 Critical accounting judgements in applying the group's accounting policies

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

The PRC land appreciation tax 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 sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalized its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(n), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices and the costs of completion in case for properties under development.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the provision would affect profit or loss in future periods.

28 Critical accounting judgements in applying the group's accounting policies (Continued)

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(l)(ii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

28 Critical accounting judgements in applying the group's accounting policies
(Continued)

(e) Valuation of investment properties

As described in Note 11(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation which involves, inter alia, certain estimates including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective end of each reporting periods.

(f) Impairment for loans and receivables

The Group estimates impairment losses for loans and receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the ageing of the loans and receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management have reviewed the investment property portfolios of the Group and concluded that investment properties held by the Group are not 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 deferred taxation on investment properties of the Group, the management have determined that the "sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to land appreciation taxes on disposal of its investment properties.

29 Company-level statement of financial position

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investments in subsidiaries	12	**5,308,978**	4,770,883
Property and equipment		**352**	581
Long-term receivables		**–**	64,948
Total non-current assets		**5,309,330**	4,836,412
Current assets			
Other receivables		**929,934**	806,332
Amounts due from subsidiaries		**2,161,741**	2,067,484
Cash and cash equivalents		**929,517**	15,371
Total current assets		**4,021,192**	2,889,187
Current liabilities			
Loans and borrowings		**1,574,619**	128,106
Other payables		**54,873**	31,321
Total current liabilities		**1,629,492**	159,427
Net current assets		**2,391,700**	2,729,760
Total assets less current liabilities		**7,701,030**	7,566,172
Non-current liabilities			
Loans and borrowings		**1,461,978**	1,370,087
NET ASSETS		**6,239,052**	6,196,085
CAPITAL AND RESERVES	23(a)		
Share capital		**18,718**	18,718
Reserves		**6,220,334**	6,177,367
TOTAL EQUITY		**6,239,052**	6,196,085

Approved and authorised for issue by the board of directors on 29 March 2017.

YI Xiaodi
Directors

FAN Xiaochong
Directors

30 Parent and ultimate holding company

As at 31 December 2016, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

31 Possible impact of amendments, new standards and interpretations issued but not yet adopted for the year ended 31 December 2016

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

31 Possible impact of amendments, new standards and interpretations issued but not yet adopted for the year ended 31 December 2016 (Continued)

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(w). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date;

(d) If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs. As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the group adopts IFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

31 Possible impact of amendments, new standards and interpretations issued but not yet adopted for the year ended 31 December 2016 (Continued)

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are common in the Group's arrangements with its customers, when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under IFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the properties, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.