明发集团
MINGFA GROUP

Mingfa Group (International) Company Limited

明發集團（國際）有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 846

ANNUAL REPORT 2016

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Wun Ming (Chairman)
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Independent Non-Executive Directors

Mr. Lau Kin Hon
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*
Dr. Lam, Lee G. *(appointed on 1 September 2018)*
Mr. Qu Wenzhou *(resigned on 31 August 2018)*
Mr. Dai Yiyi *(resigned on 1 September 2018)*
Dr. Wong Tin Yau Kelvin *J.P. (appointed on 1 September 2018 and retired on 6 March 2019)*

COMPANY SECRETARY

Mr. Poon Wing Chuen *(FCCA)*

AUDIT COMMITTEE

Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016) (chairperson of the committee effective 1 September 2018)*
Mr. Lau Kin Hon
Dr. Lam, Lee G. *(appointed on 1 September 2018)*
Mr. Qu Wenzhou *(chairperson of the committee and resigned on 31 August 2018)*
Mr. Dai Yiyi *(resigned on 1 September 2018)*
Dr. Wong Tin Yau Kelvin *J.P. (appointed on 1 September 2018 and retired on 6 March 2019)*

NOMINATION COMMITTEE

Mr. Wong Wun Ming *(appointed as chairperson of the committee on 1 September 2018)*
Mr. Lau Kin Hon
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*
Mr. Qu Wenzhou *(resigned on 31 August 2018)*
Mr. Dai Yiyi *(chairperson of the committee and resigned on 1 September 2018)*

REMUNERATION COMMITTEE

Mr. Lau Kin Hon *(chairperson of the committee effective 1 September 2018)*
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*
Mr. Wong Wun Ming *(appointed as a member of the committee on 1 September 2018)*
Mr. Qu Wenzhou *(chairperson of the committee and resigned on 31 August 2018)*
Mr. Dai Yiyi *(resigned on 1 September 2018)*

AUTHORISED REPRESENTATIVES

Mr. Wong Wun Ming
Mr. Poon Wing Chuen *(FCCA)*

REGISTERED OFFICE

Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1–1205
Cayman Islands

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Jiangsu Mingfa Business Park
No. 88 Pudong North Road
Pukou, Nanjing City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6–8, 23/F, South Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

COMPANY'S WEBSITE

http://www.ming-fa.com

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED (MAIN BOARD)

846

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISER AS TO HONG KONG LAWS

Paul Hastings
21–22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board ("**Board**") of directors ("**Directors**") of Mingfa Group (International) Company Limited ("**Company**" and together with its subsidiaries, "**Group**" or "**Mingfa Group**"), I am pleased to present the annual report for the year ended 31 December 2016 ("**year under review**").

On behalf of the Board, I would like to express our most sincere gratitude to all the shareholders of the Company, investors, business partners and other stakeholders for their understanding and continued support to the Company despite the suspension of trading in the shares of the Company ("**Shares**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 1 April 2016.

During the year under review, the loan and purchase restriction was launched in the fourth quarter 2016 so as to avoid the over-heating in the property market. The market became more stable in terms of ASP and transaction volume.

The Group has continued to strengthen its expertise to bolster its market position and focus on developing a diversified and balanced property portfolio. For the year under review, the Group achieved revenue of approximately RMB5,089.7 million, delivering a total gross floor area ("**GFA**") of approximately 674,347 sq.m. Meanwhile, the Group achieved contracted sales of approximately RMB14.0 billion with GFA of 1.8 million sq.m..

At the same time, the Group is adhering to prudent financial management practices through carefully controlled its leverage level while maintaining diverse financial resources.

The Board remains positive towards the prospect of the property development business in PRC. By steadfastly adhering to its low-cost land strategy and actively exploring acquisition opportunities of land parcels in high growth potential cities, the Board is confident about future of the Group. In addition, the Group is continuing to take measures aimed at improving its management capabilities and operational efficiency. At the same time, it is dedicating efforts to enhance its product structure and product quality with the aim of boosting its brand reputation.

Last but not least, I wish to express my heartfelt appreciation to the members of the Board for their outstanding leadership, the shareholders and business associates for their patience and understanding as well as trust and the entire staff for their constant dedication.

Wong Wun Ming
Chairman

28 June 2019

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2016 (audited)	2015 (audited and restated)	Percentage of increase
Revenue *(RMB million)*	**5,089.7**	3,039.7	67.4%
Profit for the year *(RMB million)*	**1,174.2**	359.6	226.5%
Profit attributable to equity holders of the Company *(RMB million)*	**1,169.4**	379.0	208.5%
Basic earnings per share *(RMB cents)*	**19.2**	6.2	209.7%
Diluted earnings per share *(RMB cents)*	**19.2**	6.2	209.7%

RESULTS

The consolidated revenue of the Group was approximately RMB5,089.7 million for 2016 (2015: approximately RMB3,039.7 million (restated)), representing an increase of 67.4% as compared to 2015. The consolidated profit for the year and profit attributable to the equity holders of the Company were approximately RMB1,174.2 million and RMB1,169.4 million respectively for 2016 (2015: approximately RMB359.6 million (restated) and RMB379.0 million (restated) respectively), representing an increase of 226.5% and 208.5% respectively as compared to 2015. The basic and diluted earnings per share were RMB19.2 cents for 2016 (2015: RMB6.2 cents per share (restated)), representing an increase of 209.7% as compared to 2015.

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

INDUSTRY REVIEW

Pursuant to the favorable supportive monetary and regulatory policies launched in 2015, the real estate market in PRC had a significant growth of 34.8% and 22.5% in transaction value and GFA respectively in 2016 as compared to 2015. This was mainly resulted from the inventory clearance in the first three quarters in 2016. In order to avoid the overheating of the property market, some austerity measures such as purchase and loan restriction was launched in the fourth quarter of 2016. The real estate market became more stable in terms of average selling price ("**ASP**") and transaction volume.

BUSINESS REVIEW

Sales and Earnings

The revenue of the Group was approximately RMB5,089.7 million for 2016 (2015: approximately RMB3,039.7 million (restated)), representing an increase of 67.4% as compared to 2015. The increase in revenue in 2016 was mainly due to the increase in the GFA delivered from 278,255 sq.m. in 2015 to 674,347 sq.m. in 2016.

The gross profit of the Group was approximately RMB1,147.5 million for 2016, representing an increase of 29.5% as compared to 2015 (2015: approximately RMB886.3 million (restated)). The reason for such increase was due to the increase in revenue from approximately RMB3,039.7 million (restated) in 2015 to approximately RMB5,089.7 million in 2016.

The profit for the year of the Group has increased by 226.5% from approximately RMB359.6 million (restated) in 2015 to approximately RMB1,174.2 million in 2016.

The profit attributable to the equity holders of the Company has increased from approximately RMB379.0 million (restated) in 2015 to approximately RMB1,169.4 million in 2016, representing an increase of approximately RMB790.4 million or 208.5% from that of 2015. The major reason for the increase was due to more GFA being delivered and revenue recognized in 2016 as compared to 2015.

The cost of sales of the Group was approximately RMB3,942.2 million for 2016, representing an increase of 83.1% as compared to 2015 (2015: approximately RMB2,153.4 million (restated)). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB5,273.3 per sq.m. for 2016, representing an increase of 8.0% over 2015 (2015: average cost of properties included in cost of sales was RMB4,880.9 per sq.m. (restated)). The increase in cost of properties was mainly due to higher land cost in Beijing properties which were delivered in 2016.

The total GFA sold and delivered by the Group in 2016 was approximately 674,347 sq.m., representing an increase of 142.3% as compared to 2015 (2015: approximately 278,255 sq.m.). Such increase was due to more properties delivered in Beijing Mingfa Mall and Nanjing Mingfa New City Finance Building which were newly completed in 2016.

During the year under review, the ASP of the Group's delivered properties was RMB6,927.7 per sq.m., representing a decrease of 14.2% as compared to 2015 (2015: RMB8,077.1 per sq.m). Such decrease was mainly due to decrease in delivery of high priced villa in Xiamen for 2016.

The GFA of the properties delivered by the Group in 2016 and the ASP per sq.m. were as follows:

	Sales Revenue (RMB'000)		GFA Delivered (sq.m.)		ASP (RMB per sq.m.)	
	2016	2015 (Restated)	**2016**	2015 (Restated)	**2016**	2015 (Restated)
Huai'an Mingfa Shopping Mall	**40,081.0**	33,422.5	**13,285.6**	9,797.1	**3,016.9**	3,411.5
Nanjing Mingfa City Square	**106,565.3**	77,023.4	**12,085.1**	7,280.2	**8,817.9**	10,579.9
Nanjing Mingfa Riverside New Town	**33,634.2**	112,738.7	**4,020.5**	10,331.6	**8,365.7**	10,912.0
Nanjing Mingfa Pearl Spring Resort	**217,843.7**	57,978.2	**11,587.8**	2,951.4	**18,799.4**	19,644.3
Shenyang Mingfa Jinxiu Hua City	**53,542.5**	63,113.9	**13,910.4**	14,588.9	**3,849.1**	4,326.2
Taizhou Mingfa City Complex	**518,838.2**	344,847.6	**112,559.8**	89,947.2	**4,609.4**	3,833.9
Wuxi Mingfa International New Town	**380,147.8**	363,528.8	**63,414.9**	64,118.0	**5,994.6**	5,669.7
Xiamen Mingfa Shopping Mall	**43,496.4**	19,858.7	**2,617.4**	657.0	**16,618.2**	30,226.3
Xiamen Mingfa Habour Resort	**15,986.1**	826,336.0	**819.4**	17,205.0	**19,509.5**	48,028.8
Xiamen Mingfa Xiang Wan Peninsula	**156,748.7**	63,216.3	**11,868.6**	5,424.7	**13,207.0**	11,653.4
Yangzhou Mingfa Jiangwan City	**369,297.5**	111,053.4	**65,005.0**	17,415.4	**5,681.1**	6,376.7
Zhenjiang Mingfa Jinxiu Yinshan	**146,267.2**	87,871.8	**33,846.5**	23,538.1	**4,321.5**	3,733.2
Beijing Mingfa Mall	**1,172,221.2**	n/a	**67,296.8**	n/a	**17,418.7**	n/a
Jinzhai Mingfa Shopping Mall	**194,420.9**	n/a	**51,340.2**	n/a	**3,786.9**	n/a
Shanghai Mingfa Shopping Mall	**99,196.5**	n/a	**8,767.1**	n/a	**11,314.6**	n/a
Nanjing Mingfa New City Finance Building	**347,820.2**	n/a	**40,349.5**	n/a	**8,620.2**	n/a
Changsha Mingfa Shopping Mall	**178,287.8**	n/a	**47,121.7**	n/a	**3,783.6**	n/a
Quanzhou Mingfa International Huachang City	**156,220.5**	n/a	**39,279.7**	n/a	**3,977.1**	n/a
Pingliang Mingfa European City	**138,059.8**	n/a	**29,482.3**	n/a	**4,682.8**	n/a
Zhangzhou Longhai Mingfa Mall	**218,410.1**	n/a	**36,068.3**	n/a	**6,055.5**	n/a
Others	**84,552.8**	86,501.7	**9,620.0**	15,000.6	**8,789.3**	5,766.6
Total	**4,671,638.4**	2,247,491.0	**674,346.6**	278,255.2	**6,927.7**	8,077.1

Project Location

CONTRACTED SALES

In the year under review, the Group recorded contracted sales of approximately RMB14,004.7 million with GFA of 1,751,699 sq.m. (2015: approximately RMB5,232.5 million with GFA of 630,415 sq.m.).

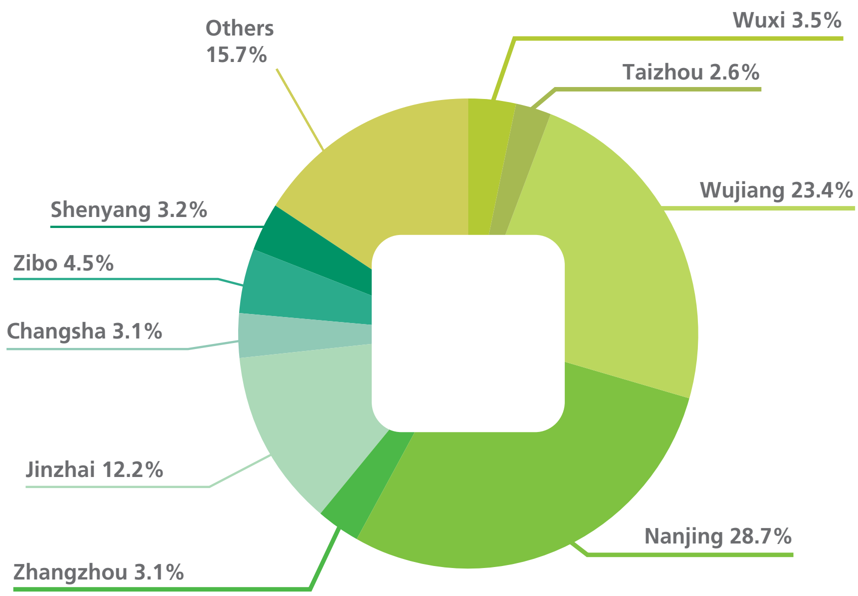
PRE-SOLD PROPERTIES

As at 31 December 2016, the attributable GFA of pre-sold properties not yet delivered to the buyers was 1,794,283 sq.m. (2015: 738,366 sq.m.). Set out below are the details of the properties, the Group's interest and the attributable pre-sold GFA of the Group:

City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Changsha	Changsha Mingfa Shopping Mall	100%	56,510
Guang'an	Guang'an Mingfa Mall	100%	38,829
Hefei	Hefei Mingfa Shopping Mall	100%	20,229
Honglai	Honglai Mingfa Commercial Centre	100%	571
Huai'an	Huai'an Mingfa Shopping Mall	100%	9,563
Huizhou	Huizhou Mingfa Gaobang New City	80%	19,156
Jinzhai	Jinzhai Mingfa City Square	100%	218,763
Nanjing	Nanjing Mingfa Riverside New Town	100%	4,715
Nanjing	Nanjing Mingfa City Square	100%	5,084
Nanjing	Nanjing Mingfa Pearl Spring Resort	100%	10,593
Nanjing	Nanjing Mingfa Yuejingting	100%	16,037
Nanjing	Nanjing Mingfa Pearl River International	100%	17,429
Nanjing	Nanjing Mingfa Cloud Mansion	40%	19,179
Nanjing	Nanjing Mingfa Shopping Mall	100%	30,547
Nanjing	Nanjing Dream Garden	51%	46,611
Nanjing	Nanjing Rong Li	51%	73,348
Nanjing	Nanjing Mingfa Xianghill Garden	100%	109,313
Nanjing	Nanjing Mingfa New City Finance Building	100%	182,198
Pingliang	Pingliang Mingfa European City	60%	30,695
Quanzhou	Quanzhou Mingfa Hua Chang City	100%	23,305
Zibo	Shandong Zibo World Trade Center	100%	80,143
Shanghai	Shanghai Mingfa Shopping Mall	100%	7,937
Shenyang	Shenyang Mingfa Jinxiuhwa City	100%	58,022
Taizhou	Taizhou Mingfa City Complex	100%	47,525
Tianjin	Tianjin Binhai Mingfa Shopping Mall	100%	27,788
Wujiang	Wujiang Mingfa Jiangwan New City	100%	420,008
Wuxi	Wuxi Mingfa Shopping Mall	70%	2,446
Wuxi	Wuxi Mingfa International New Town	100%	61,183
Xiamen	Xiamen Mingfa International New Town	100%	579
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	2,236
Xiamen	Xiamen Mingfa Harbour Resort	100%	2,815
Xiamen	Xiamen Mingfa Shopping Mall	70%	15,596

City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Xiamen	Xiamen Mingfeng Town	100%	16,093
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	7,047
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	28,940
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	7,143
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	49,336
Zhengjiang	Zhenjiang Mingfa Xinjin Yuancheng	100%	3,747
Zhengjiang	Zhengjiang Jinxiu Yishan	100%	23,024
Total			**1,794,283**

Pre-sold Properties by City in terms of GFA

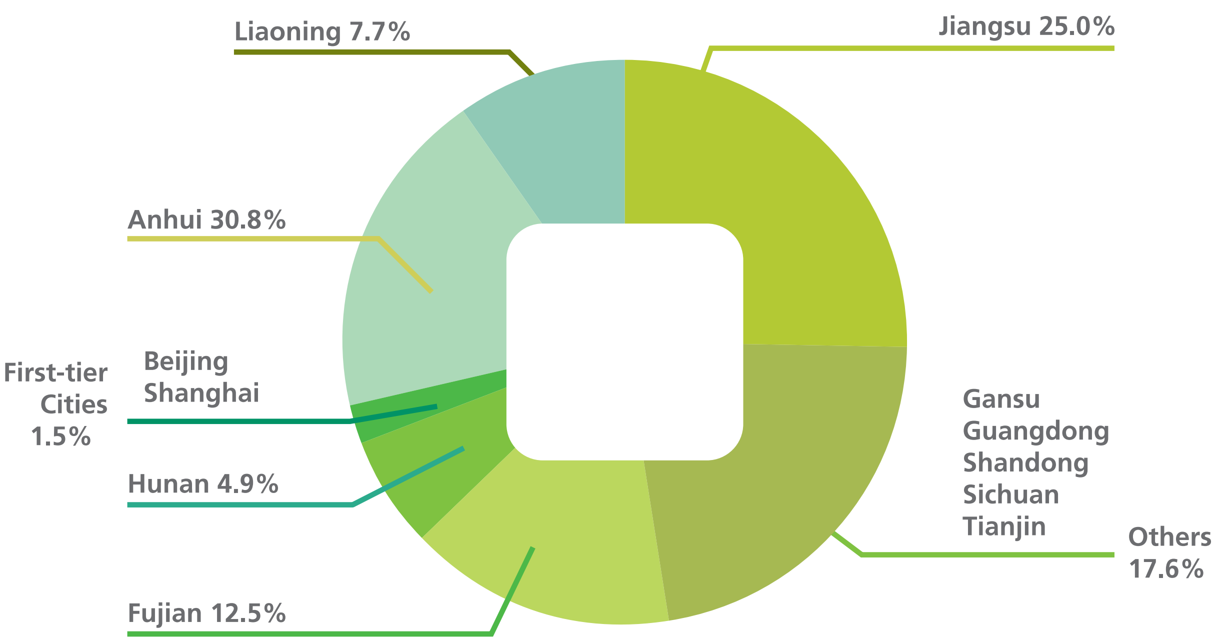


SUMMARY OF LAND BANK

As at 31 December 2016, land bank attributable to the Group increased by 19.0% to approximately 18.2 million sq.m. (2015: approximately 15.3 million sq.m.), consisting of 77 projects (2015: 63 projects) in total.

	Number of Projects	Attributable GFA (million sq.m.)
Completed projects	19	1.5
Projects under development	36	11.3
Projects for future development	22	5.4
Total	**77**	**18.2**

Total Land Bank by Province (as of 31 December 2016)



The following tables summarize the details of the Group's land bank as at 31 December 2016:

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Notes)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest (Sq.m.)	Attributable GFA (Sq.m.)
Completed property (held for sale/leasing) *(Note 1)*								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming District, Xiamen, Fujian Province.	Dec/2004	Residential/Commercial/ Office	Completed	18,247	450	100%	450
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli District, Xiamen, Fujian Province.	Dec/2004	Residential/Commercial/ Office	Completed	5,529	1,439	100%	1,439
Xiamen Mingfa Garden	Located at Huanhuli South, Ivling Road, Siming District, Xiamen, Fujian Province.	Apr/2005	Residential/Commercial	Completed	18,697	13,972	100%	13,972
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli District, Xiamen, Fujian Province.	Apr/2005	Residential/Office	Completed	10,257	1,418	100%	1,418
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming District, Xiamen, Fujian Province.	Feb/2002	Residential/Commercial/ Office	Completed	26,016	6,730	100%	6,730
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province.	Oct/2007	Commercial/Office/Hotel	Completed	166,775	27,015	70%	18,911
Xiamen Mingfa Town	Located at Ivling Road, Siming Industrial Park, Siming District, Xiamen, Fujian Province.	Jan/2008	Residential/Commercial	Completed	12,879	14,930	100%	14,930
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou District, Nanjing, Jiangsu Province.	Dec/2008	Residential/Hotel	Completed	112,973	15,240	100%	15,240
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou District, Nanjing, Jiangsu Province.	Nov/2009	Residential/Commercial	Completed	1,072,182	68,687	100%	68,687
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai District, Nanjing, Jiangsu Province	Dec/2010	Commercial/Office/Hotel	Completed	182,588	112,186	100%	112,186
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2011	Residential/Commercial/ Hotel	Completed	216,643	437,297	70%	306,108
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Dec/2011	Residential/Commercial/ Office/Hotel	Completed	176,698	189,178	100%	189,178
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Dec/2011	Residential/Commercial/ Hotel	Completed	145,267	226,435	100%	226,435
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province.	Dec/2012	Residential/Commercial/ Office	Completed	128,683	70,738	100%	70,738

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Notes)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest (Sq.m.)	Attributable GFA (Sq.m.)
Honglai Mingfa Commercial Center	Located at Longlai District, Nanan, Fujian Province.	Jun/2012	Residential/Commercial	Completed	27,065	11,982	100%	11,982
Xiamen Mingfa Xiang Wan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province.	Dec/2012	Residential/Commercial	Completed	104,380	16,503	100%	16,503
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province.	Dec/2013	Residential/Commercial/ Office/Hotel	Completed	223,589	242,656	100%	242,656
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province.	Dec/2013	Hotel	Completed	58,952	138,293	100%	138,293
Huaian Mingfa Shopping Mall (Block C)	Located in Weihai East Road, Huaian, Jiangsu Province	Dec/2014	Residential	Completed	51,345	31,008	100%	31,008
Sub-total					**2,758,765**	**1,626,157**		**1,486,864**
Property under development *(Note 2)*								
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec/2019	Residential/Commercial/ Hotel	Completion certificate had been granted for GFA of 171,952 sq.m. in December 2016. The remaining GFA of 232,726 sq.m. will be completed in December 2019.	296,702	258,941	100%	258,941
Huaian Mingfa Shopping Mall (Block A)	Located in Shenzhen South Road, Huaian, Jiangsu Province	Dec/2020	Commercial	Approximately 60% of construction has been completed	133,110	266,335	100%	266,335
Shenyang Mingfa Jinxiu Hua City	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 280,040 sq.m. in December 2014. The remaining GFA of 26,070 sq.m. will be completed in December 2018	61,222	210,348	100%	210,348
Wuxi Mingfa International New Town	Located south of Yanqiao town, Huishan District, Wuxi, Jiangsu Province.	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 452,834 sq.m. in December 2014. The remaining GFA of 96,727 sq.m. will be completed in December 2018	258,297	186,488	100%	186,488
Yangzhou Mingfa Jiangwan City	Located at east of Xuzhuang Road, North of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province.	Dec/2019	Residential	Completion certificate had been granted for GFA of 158,578.77 sq.m. in December 2015. The remaining GFA of 62,954 sq.m. will be completed in December 2019	158,238	79,926	100%	79,926
Taizhou Mingfa International Mall (Phase 1)	Located in Gaogang District, Taizhou, Jiangsu Province	Dec/2020	Residential/Commercial	Completion certificate had been granted for GFA of 304,293 sq.m. in December 2015. The remaining GFA of 427,007 sq.m. will be completed in December 2020	292,487	492,101	100%	492,101

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Notes)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest (Sq.m.)	Attributable GFA (Sq.m.)
Taizhou Mingfa International Mall (Phase 2)	Located in Gaogang District, Taizhou, Jiangsu Province	Oct/2020	Residential/Industrial	Completion certificate had been granted for GFA of 23,671 sq.m. in December 2016. The remaining GFA of 284,183 sq.m. will be completed in October 2020	237,075	322,150	100%	322,150
Zhangzhou Longhai Mingfa Mall (2011G17,2011G18 Phase 1)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province.	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 39,734 sq.m. in December 2016. The remaining GFA of 244,449 sq.m. will be completed in December 2019	78,622	241,694	100%	241,694
Beijing Mingfa Mall	Located in Beizang Village, Daxing District, Beijing	Dec/2018	Residential/Commercial	Completion certificate had been granted for GFA of 81,371 sq.m. in December 2016. The remaining GFA of 112,502 sq.m. will be completed in December 2018	45,414	112,640	100%	112,640
Shanghai Mingfa Shopping Mall	Located in Hu Yi Highway East, Baiyin Road of South, Boundary of West, Gaotai Road North, Shanghai	Dec/2019	Commercial	Completion certificate had been granted for GFA of 39,459 sq.m. in December 2016. The remaining GFA of 121,079 sq.m. will be completed in December 2020	53,779	160,538	100%	160,538
Pingliang Mingfa European City	Located in Water bridge West, Linjing Road North, Kongdong District, Pingliang, Gansu Province	Dec/2020	Residential	Approximately 60% of construction has been completed	117,594	219,121	60%	131,473
Nanjing Mingfa New City Finance Building	Located in New Town Business Avenue North, Pukou District, Nanjing, Jiangsu Province.	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 120,510 sq.m. in December 2016. The remaining GFA of 240,437 sq.m. will be completed in December 2019	59,042	360,947	100%	360,947
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province.	Dec/2020	Residential/Commercial	Completion certificate had been granted for GFA of 74,461 sq.m. in December 2016. The remaining GFA of 843,189 sq.m. will be completed in December 2020	285,594	881,715	100%	881,715
Huizhou Mingfa Gaobang New City	Huizhou City West Train Station, Guangdong Province	Dec/2020	Residential	Approximately 30% of construction has been completed	332,335	708,157	80%	566,526
Nanjing Mingfa Cloud Mansion	Located in along the mountain road south, Jiangpu Street, Nanjing, Jiangsu Province	Sep/2017	Residential	Approximately 90% of construction has been completed	32,787	80,437	40%	32,175
Nanjing Mingfa Xiang Hill Garden	Located in Along the mountain road to the south, Caiba Road East, Pukou District, Nanjing, Jiangsu Province.	Dec/2019	Residential	Approximately 90% of construction has been completed	115,876	255,361	100%	255,361
Nanjing Mingfa Pearl River International (G11)	Located at Jiangpu Street, east to Xianzhang Road, south to Jiangpu Secondary School, north to South River, west to Guihua Road, Pukou District, Jiangsu Province	Sep/2017	Residential	Approximately 90% of construction has been completed	8,586	30,611	100%	30,611

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Notes)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest (Sq.m.)	Attributable GFA (Sq.m.)
Jinzhai Mingfa City Square (Plot G)	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Sep/2017	Residential/Commercial	Completion certificate had been granted for GFA of 99,145 sq.m. in December 2016. The remaining GFA of 255,744 sq.m. will be completed in September 2017	105,504	354,889	100%	354,889
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2021	Commercial	Approximately 30% of construction has been completed	209,048	418,096	100%	418,096
Nanjing Mingfa Wealth Center	Located in NewCity Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province.	Dec/2019	Commercial/Office	Approximately 30% of construction has been completed	56,694	283,470	100%	283,470
Nanjing Rong Li	Located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province.	Dec/2019	Residential	Approximately 40% of construction has been completed	132,937	255,551	51%	130,331
Nanjing Dream Garden	Located at Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province	Jul/2018	Residential	Approximately 40% of construction has been completed	58,914	154,394	51%	78,741
Wujiang Mingfa Jiangwan New City (Phase 1)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2019	Residential/Commercial	Approximately 40% of construction has been completed	298,289	709,903	100%	709,903
Wujiang Mingfa Jiangwan New City (Phase 2)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2021	Residential/Commercial	Approximately 30% of construction has been completed	489,567	1,395,484	100%	1,395,484
Quanzhou Mingfa International Huachang City	Located at Neicuo Village, Guanqiao Town, Nanan, Fujian Province.	Dec/2021	Residential/Commercial	Approximately 50% of construction has been completed	276,120	787,220	100%	787,220
Guang'an Mingfa Mall (GC2013–45 Block)	Located in Bridge Group, Guanan, Sichuan Province	Dec/2020	Residential/Commercial	Approximately 40% of construction has been completed	76,153	382,692	100%	382,692
Zhenjiang Mingfa Xinjin Yuancheng	Located at east of the new road, Danbei Town, Danyang City	Jan/2018	Residential/Commercial	Approximately 80% of construction has been completed	14,287	27,347	100%	27,347
Shenzhen Mingfa Guangming Xuan	Located at Tianliao Yulv Area, Guangming New District, Shenzhen	Dec/2018	Commercial	Approximately 50% of construction has been completed	4,109	12,320	100%	12,320
Nanjing Mingfa Yuejingyuan (G07)	Located at Pukou south along the mountain road, east side Nanjing University of Technology	Oct/2018	Commercial	Approximately 80% of construction has been completed	31,455	89,947	100%	89,947
Jinzhai Mingfa City Square (Plot D)	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Dec/2017	Residential/Commercial	Approximately 80% of construction has been completed	62,885	128,253	100%	128,253
Jinzhai Mingfa City Square (Plot E, F)	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Jun/2018	Residential/Commercial	Approximately70% of construction has been completed	203,406	464,274	100%	464,274
Shandong Zibo World Trade Center	Located in People's road to the north, Shanghai Road to the east, Zhangdian District, Zibo, Shandong Province.	Dec/2021	Residential/Commercial	Approximately 40% of construction has been completed	147,371	618,958	100%	618,958
Zhongao Town Buliding	Located at South of Xiang'an District, Xiamen, Fujian Province.	Dec/2019	Commercial	Approximately35% of construction has been completed	11,870	98,104	51%	50,033

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Notes)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest (Sq.m.)	Attributable GFA (Sq.m.)
Xiamen Mingfeng Town	Located at Lingdou Siming District, Xiamen, Fujian Province.	Jul/2018	Commercial	Approximately 60% of construction has been completed	19,190	122,737	100%	122,373
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2021	Residential/Commercial	Approximately 60% of construction has been completed	154,024	462,072	100%	462,072
Zhangzhou Longhai Mingfa Mall (2011G15, 2012G15 Phase 2)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province.	Jun/2021	Residential	Approximately 30% of construction has been completed	63,127	189,381	100%	189,381
Sub-total					**4,981,710**	**11,822,602**		**11,295,753**
Property with land use rights certificate for future development *(Note 3)*								
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou District, Nanjing, Jiangsu Province.	Dec/2020	Industrial	Vacant	41,434	103,585	100%	103,585
Lanzhou Mingfa Zhongke Ecological park	Located in Weijia Village of Southwest, Gansu Province	Dec/2020	Residential	Vacant	1,371,786	1,371,786	51%	699,611
Taiwan Taoyuan 54 Block	Located in Air passenger Park, Taoyuan, Taiwan	Jun/2020	Commercial	Vacant	13,710	32,905	100%	32,905
Taiwan Taoyuan 169 Block	Located in Air passenger Park, Taoyuan, Taiwan	Jun/2020	Commercial	Vacant	16,110	38,663	100%	38,663
Shenyang Mingfa Wealth Center	Located at Young Street, Heping District, Shenyang, Liaoning Province	Dec/2020	Commercial	Vacant	5,468	54,677	100%	54,677
Jinzhai Mingfa City Square (Plot AC)	Located at Jinzhai County Meishan Town New Town, Hefei, Anhui Province.	Dec/2019	Residential/Commercial	Vacant	111,142	162,164	100%	162,164
Wujiang Mingfa Jiangwan New City (Phase 3)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2020	Residential/Commercial	Vacant	613,287	1,665,440	100%	1,665,440
Shenyang Mingfa Square	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Jun/2020	Residential/Commercial	Vacant	119,154	238,308	100%	238,308
Mingfa Mingjue Town	Located at Bowang Town Bowang District, Maanshan, Anhui Province	Dec/2019	Residential/Commercial	Vacant	101,504	171,950	100%	171,950
New project in Nanjing Pukou G22	Located in Puzhu Road, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province.	Dec/2020	Commercial	Vacant	26,530	66,325	100%	66,325
Sub-total					**2,420,125**	**3,905,803**		**3,233,628**
Property with signed land use rights contract for future development *(Note 4)*								
Hong Six highway rebuilding Project	Located at Xixia Village, Honglai Town, Nanan, Fujian Province.	Dec/2022	Residential/Commercial	Vacant	22,784	92,298	100%	92,298
Guang'an Mingfa City complex Project (ChaMa Road B1–1 Block)	Located in Binjiang Road, Guang'an District, Guanan, Sichuan Province	Dec/2019	Residential/Commercial	Vacant	76,363	305,452	100%	305,452
Zhangzhou Longhai Mingfa Mall (2011G16, 2012G13, 2012G14 Phase 3)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province.	Dec/2022	Residential	Vacant	105,188	315,564	100%	315,564
New project in Nanjing Pukou G86	Pukou Jiangpu Street angle at University Avenue and Flower Industry	Dec/2019	Residential	Vacant	72,280	79,508	100%	79,508
Shenyang Mingfa Comprehensive Technology Park	Located at Zaohua Street, Yuhong District, Shenyang, Liaoning Province	Dec/2020	Residential	Vacant	235,526	423,948	100%	423,948
Taoyuan New Town	Located at Xianghe Town, Quanjiao, Anhui Province	Mar/2020	Residential	Vacant	109,452	240,794	100%	240,794

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Notes)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest (Sq.m.)	Attributable GFA (Sq.m.)
New project in Nanjing Pukou G30	Located at Pukou north of Nanjing University of Technology, south along the mountain road	Jun/2020	Commercial	Vacant	32,843	59,117	100%	59,117
New project in Nanjing Pukou 2014GY04, 2016GY020	Located in the channel of Science and Technology Industrial Park Pukou District, Nanjing, Jiangsu Province.	Feb/2020	Industrial	Vacant	119,564	95,652	100%	95,652
New project in Nanjing Pukou G20	Located in Software Service Center High Tech Development Zone, Nanjing, Jiangsu Province.	Jun/2020	Commercial	Vacant	62,015	446,246	80%	356,997
New project in Nanjing Pukou G42	Located in Along the Street High and New Technology Industrial Development Zone, Nanjing, Jiangsu Province.	Nov/2022	Commercial	Vacant	27,428	82,283	40%	32,913
Nanjing Mingfa Longwei Construction Technology Company Limited	Located in High Tech Development Zone, Nanjing, Jiangsu Province.	Dec/2020	Industrial	Vacant	88,780	32,965	55%	18,131
Mingfa North Station New Town	Located in west side of Changjiang road, Chahe Town, Laian county	Jan/2020	Residential/Commercial	Vacant	65,335	163,337	70%	114,336
Sub-total					**1,017,558**	**2,337,164**		**2,134,710**
Total Land Bank					**11,178,158**	**19,691,726**		**18,150,955**

Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates had been obtained as at 31 December 2016.

2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works and (b) the land use rights certificates had been obtained as at 31 December 2016.

3. The site area is in respect of the whole property (regardless of GFA that have been sold).

4. The approximate leasable and saleable GFA and attributable GFA have excluded the GFA that have been sold/leased.

SUMMARY OF PROPERTIES HELD BY THE GROUP FOR INVESTMENT

The following table summarizes the details of the Group's major properties held for investment as at 31 December 2016:

Property Name	Location	Existing Usage	Attributable GFA (Sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province.	Commercial	111,496	8–20 years	70% –100%
Xiamen Mingfa Group Mansion	Located at Qianpu Industrial Park, Xiamen, Fujian Province.	Commercial	1,123	5–6 years	100%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province.	Commercial	135,436	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province.	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province.	Commercial	35,619	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province.	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	18 years	100%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Commercial	4,687	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Commercial	140,809	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Licheng District,Jiangnan Torch Village, Quanzhou, Fujian Province	Hotel	2,355	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Commercial	55,884	15 years	100%
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
Changsha Mingfa Shopping Mall	Located in Star Cheng Town,Wangcheng County, Changsha, Hunan Province.	Commercial	70,742	Under construction	100%
Xiamen Mingfa Harbour Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Commercial	4,907	3 years	100%
Wuxi Mingfa International New Town	Located at south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	2,511	3 years	100%
Beijing Mingfa Mall	Located at Bizang Village, Daxing District, Beijing.	Residential/ Commercial	9,520	3–10 years	100%
Total			**860,900**		

PROGRESS OF DEVELOPMENT ON MAJOR PROJECTS

The progress and current status of the development of the Group's major projects in various sites and locations are as follows:

Zhenjiang Jinxiu Yinshan

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu Province, near the New Administration Centre of Zhenjiang and adjacent to the local government's new administrative centre.

Zhenjiang Jinxiu Yinshan is designed to be an integrated residential, commercial and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented with retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby. Total GFA of this project is approximately 404,678 sq.m..

As at 31 December 2016, completion certificate had been granted for GFA of 171,952 sq.m..

As at 31 December 2016, an aggregate GFA of 23,024 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

Huai'an Mingfa Shopping Mall (Block A)

Huai'an Mingfa Shopping Mall is located on Shenzhen South Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a commercial complex and will form an integral part of the Group's shopping mall.

The site area of the project is approximately 133,110 sq.m., with an aggregate GFA of approximately 266,335 sq.m.. The project is expected to be completed in December 2020.

Shenyang Mingfa Jinxiuhua City

Shenyang Mingfa Jinxiuhua City is located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province. Shenyang Mingfa Jinxiuhua City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 61,222 sq.m., with an aggregate GFA of approximately 306,110 sq.m.. As at 31 December 2016, completion certificate had been granted for 280,040 sq.m..

As at 31 December 2016, an aggregate GFA of 58,022 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

Wuxi Mingfa International New Town

Wuxi Mingfa International New Town is located at south of Yangqiao Town, Huishan District, Wuxi, Jiangsu Province.

Wuxi Mingfa International New Town is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 258,297 sq.m., with an aggregate GFA of approximately 549,561 sq.m.. The project is expected to be completed in December 2019.

As at 31 December 2016, completion certificate had been granted for GFA of 452,834 sq.m..

As at 31 December 2016, an aggregate GFA of 61,183 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

Yangzhou Mingfa Jiangwan City

Yangzhou Mingfa Jiangwan City is located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province.

Yangzhou Mingfa Jiangwan City is designed as an integrated residential complex complemented.

The site area of the project is approximately 158,238 sq.m., with an aggregate GFA of approximately 221,533 sq.m.. As at 31 December 2016, completion certificate had been granted for 158,578 sq.m..

As at 31 December 2016, an aggregate GFA of 28,940 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

Taizhou Mingfa International Mall

Taizhou Mingfa International Mall is located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang District, Taizhou, Jiangsu Province.

Taizhou Mingfa International Mall is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 529,562 sq.m. with an aggregate attributable GFA of approximately 1,053,450 sq.m..

As at 31 December 2016, completion certificate had been granted for GFA of 327,964 sq.m..

As at 31 December 2016, an aggregate GFA of 47,525 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in October 2020.

Zhangzhou Longhai Mingfa Mall (Phase 1 and 2)

Zhangzhou Longhai Mingfa Mall is located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province.

Zhangzhou Longhai Mingfa Mall is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 141,811 sq.m. with an aggregate attributable GFA of approximately 467,143 sq.m..

As at 31 December 2016, an aggregate GFA of 49,336 sq.m. in Phase 1 had been pre-sold but not yet delivered and such pre- sold units will be delivered to the buyers upon completion in December 2019. Phase 2 is expected to be completed in June 2021.

Beijing Mingfa Mall

Beijing Mingfa Mall is located in Beizang Village, Daxing District, Beijing.

This project is designed as integrated residential complex complemented with commercial properties.

The site area of the project is approximately 45,414 sq.m., with an aggregate GFA of approximately 179,936.8 sq.m..

As at 31 December 2016, completion certificate had been granted for GFA of 81,371 sq.m..

Shanghai Mingfa Shopping Mall

Shanghai Mingfa Shopping Mall is located at east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai.

This project is designed as integrated commercial complex.

The site area of the project is approximately 53,779 sq.m., with an aggregate GFA of approximately 169,305 sq.m. The project is expected to be completed in December 2019.

As at 31 December 2016, completion certificate had been granted for GFA of 39,459 sq.m..

As at 31 December 2016, an aggregate GFA of 7,937 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

Pingliang Mingfa European City
Pingliang Mingfa European City is located at the west of Water Bridge, north of Linjing Road, Kongdong District, Pingliang, Gansu Province.

This project is designed as integrated residential complex.

The site area of the project is approximately 117,594 sq.m. with an aggregate GFA of approximately 268,259 sq.m..

As at 31 December 2016, an aggregate GFA of 30,695 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

Nanjing Mingfa New City Finance Building
Nanjing Mingfa New City Finance Building is located at the north of New Town Business Avenue, Pukou District, Nanjing, Jiangsu Province.

This project is designed as integrated residential an commercial complex.

The site area of the project is approximately 59,042 sq.m. with an aggregate GFA of approximately 401,297 sq.m.. The project is expected to be completed in December 2017.

As at 31 December 2016, completion certificate had been granted for GFA of 120,510 sq.m..

As at 31 December 2016, an aggregate GFA of 182,198 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2019.

Changsha Mingfa Shopping Mall
Changsha Mingfa Shopping Mall is located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 285,594 sq.m. with an aggregate GFA of approximately 928,837 sq.m.

As at 31 December 2016, completion certificate had been granted for GFA of 74,461 sq.m..

As at 31 December 2016, an aggregate GFA of 56,510 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

Huizhou Mingfa Gaobang New City
Huizhou Mingfa Gaobang New City is located in at Huizhou City West Train Station, Huizhou, Guangdong Province. This project is designed as integrated residential and complex.

The site area of the project is approximately 332,335 sq.m. with an aggregate GFA of approximately 708,157 sq.m..

As at 31 December 2016, an aggregate GFA of 19,156 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

Nanjing Mingfa Cloud Mansion

Nanjing Mingfa Cloud Mansion is located at Yuan Shan Road South, Jiangpu Road, Nanjing, Jiangsu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 32,787 sq.m. with an aggregate GFA of approximately 80,437 sq.m..

As at 31 December 2016, an aggregate GFA of 19,179 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in September 2017.

Nanjing Mingfa Xiang Hill Garden

Nanjing Mingfa Xiang Hill Garden is located at Yuan Shan Road South, Caiba Road East, Pukou District, Nanjing, Jiangpu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 115,876 sq.m. with an aggregate GFA of approximately 255,361 sq.m..

As at 31 December 2016, an aggregate GFA of 109,313 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2019.

Nanjing Mingfa Pearl River International

Nanjing Mingfa Pearl River International is located at Jiangpu Street, east to Xianzhang road, south to Jiangpu Secondary School, North to South River, west to Guihua Road, Pukou District, Nanjing, Jiangpu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 8,586 sq.m. with an aggregate GFA of approximately 30,611 sq.m..

As at 31 December 2016, an aggregate GFA of 17,429 sq.m. had been pre-sold but not yet delivered and such properties will be delivered to the buyers upon completion in September 2017.

Jinzhai Mingfa City Square (Plot G)

Jinzhai Mingfa Shopping Mall is located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 105,504 sq.m. with an aggregate GFA of approximately 355,831 sq.m..

As at 31 December 2016, completion certificate had been granted for GFA of 99,145 sq.m..

As at 31 December 2016, an aggregate GFA of 218,763 sq.m. had been pre-sold but not yet delivered and such properties will be delivered to the buyers upon completion in September 2017.

Tianjin Binhai Mingfa Shopping Mall

Tianjin Binhai Mingfa Shopping Mall is located at Tanggu Marine Hi-Tech Development Zone, Tianjin. This project is designed as integrated commercial complex.

The site area of the project is approximately 209,048 sq.m. with an aggregate GFA of approximately 418,096 sq.m.

As at 31 December 2016, an aggregate GFA of 27,788 sq.m. had been pre-sold but not yet delivered and such properties will be delivered to the buyers upon completion in December 2021.

Nanjing Mingfa Wealth Center

Nanjing Mingfa Wealth Center is located at New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated commercial and office complex.

The site area of the project is approximately 56,694 sq.m. with an aggregate GFA of approximately 283,470 sq.m.. The project is expected to be completed in December 2019.

Nanjing Rong Li

Nanjing Rong Li is located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 132,937 sq.m. with an aggregate GFA of approximately 255,552 sq.m..

As at 31 December 2016, an aggregate GFA of 73,348 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2019.

Nanjing Dream Garden

Nanjing Dream Garden is located at Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 58,914 sq.m. with an aggregate GFA of approximately 154,394 sq.m.. The project is expected to be completed in July 2018.

As at 31 December 2016, an aggregate GFA of 46,611 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in July 2018.

Wujiang Mingfa Jiangwan New City (Phase 1 and 2)

Wujiang Mingfa Jiangwan New City is located at Wujiang Town Four Lian, Hexian, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 787,856 sq.m. with an aggregate GFA of approximately 2,105,387 sq.m.. Phase 1 and 2 are expected to be completed in December 2019 and December 2021 respectively.

As at 31 December 2016, an aggregate GFA of 420,008 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion from December 2019.

Quanzhou Mingfa International Huachang City

Quanzhou Mingfa International Huachang City is located at Neicuo Village, Guanqiao Town, Nanan, Fujian Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 276,120 sq.m. with an aggregate GFA of approximately 787,220 sq.m..

As at 31 December 2016, an aggregate GFA of 23,305 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

Guang'an Mingfa Mall

Guang'an Mingfa Mall is located at Bridge Group, Guanan, Sichuan Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 76,153 sq.m. with an aggregate GFA of approximately 382,692 sq.m..

As at 31 December 2016, an aggregate GFA of 38,829 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

Zhenjiang Mingfa Xinjin Yuancheng
Zhenjiang Mingfa Xinjin Yuancheng is located at East of the new road, Danbei Town, Danyang City, Jiangsu Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 14,287 sq.m. with an aggregate GFA of approximately 27,347 sq.m..

As at 31 December 2016, an aggregate GFA of 3,747 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in January 2018.

Shenzhen Mingfa Guangming Xuan
Shenzhen Mingfa Guangming Xuan is located at Tianliao Yulv Area, Guangming New District, Shenzhen. This project is designed as integrated commercial complex.

The site area of the project is approximately 4,109 sq.m. with an aggregate GFA of approximately 12,320 sq.m.. The project will be completed in December 2018.

Nanjing Mingfa Yuejingyuan
Nanjing Mingfa Yuejingyuan is located at Pukou south along the mountain Road, east side of Nanjing University of Technology. This project is designed as integrated commercial complex.

The site area of the project is approximately 31,455 sq.m. with an aggregate GFA of approximately 89,947 sq.m..

As at 31 December 2016, an aggregate GFA of 16,037 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in October 2018.

Jinzhai Mingfa City Square (Plot D, E & F)
Jinzhai Mingfa Shopping Mall is located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 266,291 sq.m. with an aggregate GFA of approximately 592,527 sq.m.. Plot D is expected to be completed in December 2017 while Plot E and F is expected to be completed in June 2018.

Shangdong Zibo World Trade Center
Shangdong Zibo World Trade Center is located at People's Road to the north, Shanghai Road to the east, Zhangdian District, Zibo, Shangdong Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 147,371 sq.m. with an aggregate GFA of approximately 618,958 sq.m..

As at 31 December 2016, an aggregate GFA of 80,143 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

Zhongao Town Building
Zhongao Town Building is located at South of Xiang'an District, Xiamen, Fujian Province. This project is designed as integrated commercial complex.

The site area of the project is approximately 11,870 sq.m. with an aggregate GFA of approximately 98,104 sq.m.. The project is expected to be completed in December 2019.

Xiamen Mingfeng Town

Xiamen Mingfeng Town is located at Lingdou Siming District, Xiamen, Fujian Province. This project is designed as integrated commercial complex.

The site area of the project is approximately 19,190 sq.m. with an aggregate GFA of approximately 122,373 sq.m..

As at 31 December 2016, an aggregate GFA of 16,093 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in July 2018.

Shenyang Creative Industrial Estate

Shenyang Creative Industrial Estate is located at Shenbei Xinqu Daoyi Development Zone, Liaoning Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 154,024 sq.m. with an aggregate GFA of approximately 462,072 sq.m.. The project is expected to be completed in December 2021.

Properties to be Completed in 2017

Set out below are the properties expected to be completed by the Group in 2017. The total GFA for such properties available for sale/leasing by the Group upon completion will be approximately 1,273,178 sq.m. including those already pre-sold as at 31 December 2016.

Property Name	Expected Completion Date	Usage	GFA Available for Sales/ Leasing (sq.m.)	Percentage of Interest in the Property Attributable to the Group
Taizhou Mingfa City Complex	Jun/2017	Residential	78,662	100%
Wuxi Mingfa International New Town	Jun/2017	Residential/Commercial	67,104	100%
Nanjing Mingfa Cloud Mansion	Sep/2017	Residential/Commercial	80,437	40%
Nanjing Mingfa New City Finance Building	Dec/2017	Office/Commercial	178,037	100%
Zhenjiang Jinxiu Yinshan	Jan/2017	Residential/Commercial/ Hotel	74,293	100%
Nanjing Mingfa Xiang Hill Garden	May/2017	Residential	244,877	100%
Nanjing Rong Li	Dec/2017	Residential	108,382	51%
Yangzhou Mingfa Jiangwan City	Mar/2017	Residential/Commercial	37,834	100%
Jinzhai Mingfa Shopping Mall	Dec/2017	Residential/Commercial	372,941	100%
Nanjing Mingfa Pearl River International	Sep/2017	Residential/Commercial	30,611	100%
Total			**1,273,178**	

ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2016, the Group entered into 11 uncompleted memoranda of understanding ("**MOU(s)**") with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2014. These MOUs are not legally-binding and there is no assurance that the Group will be granted the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties' intention of cooperation in the future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use rights from the PRC governmental authorities for such lands. Notwithstanding that, the Company considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	(Notes)
Huai'an Mingfa International Industrial Material Park and Mingfa International Town	Huai'an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(1)
Shenyang Creative Park	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(2)
Shenyang Residential and Commercial Complex Project	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(3)
Panjin Mingfa City Square	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Jiangsu Taizhou Mingfa City Complex Project	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(4)
Shenyang Mingfa Integrated Science and Technology Park	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	(5)
Nanjing Software Park Starting Area Project	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	
Nanjing Software Valley Technology City Project	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	(6)
Anhui Hexian Wujiang New Town	Maanshan City, Anhui Province	28-Apr-13	2,000,010	7,000,035	(7)
Jinzhai Mingfa City Square	Jinzhai City, Anhui Province	17-Dec-14	666,670	1,333,340	(8)
Total			**8,152,837**	**20,979,610**	

Notes:

(1) The Group had acquired 3 plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road, Shenzhen South Road, and east of Guangzhou Road respectively in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and approximately 420,370 sq.m. respectively.

(2) The Group had acquired 1 plot of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and approximately 462,072 sq.m. respectively.

(3) The Group had acquired 2 plots of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and approximately 306,110 sq.m. respectively.

(4) The Group had acquired 5 plots of land under the MOU signed on 22 December 2010. One plot of the land is located at west of Machang Zhonggou and south of Huangang Avenue in Taizhou and the other is located at east of Diaodong Zhonggou and south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 529,526 sq.m. and approximately 832,637 sq.m. respectively.

(5) The Group had acquired 2 plots of land under the MOU signed on 23 September 2011. The land is located at Zaohua Street, Guan Jia Village, Yuhong District, Liaoning Province. Total land area and GFA is approximately 235,526.47 sq.m. and approximately 423,947.63 sq.m. respectively.

(6) The Group had acquired 1 plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin District, Nanjing, Jiangsu Province. Total land area and GFA is approximately 11,244 sq.m. and approximately 67,465 sq.m. respectively.

(7) The Group had acquired 47 plots of land under the MOU signed on 28 April 2013. The land is located at New City, Mei Shan Town, Jinzhai Country, Hefei, Anhui Province. Total land area and GFA is approximately 1,401,143 sq.m. and approximately 3,770,826.5 sq.m. respectively.

(8) The Group had acquired 10 plots of land under the MOU signed on 17 December 2014. The land is located at New City, Mei Shan Town, Jinzhai Country, Hefei, Anhui Province. Total land area and GFA is approximately 482,936.7 sq.m. and approximately 1,063,578.6 sq.m. respectively.

PROSPECTS

Looking ahead to 2017, the real estate market in China is expected to be less heated than 2016 due to the tightening policies in purchasing and mortgage borrowing. Steadfastly adhering to prudent and diversified growth, the Group will continue its strategy of balanced property mix and optimized geographical locations.

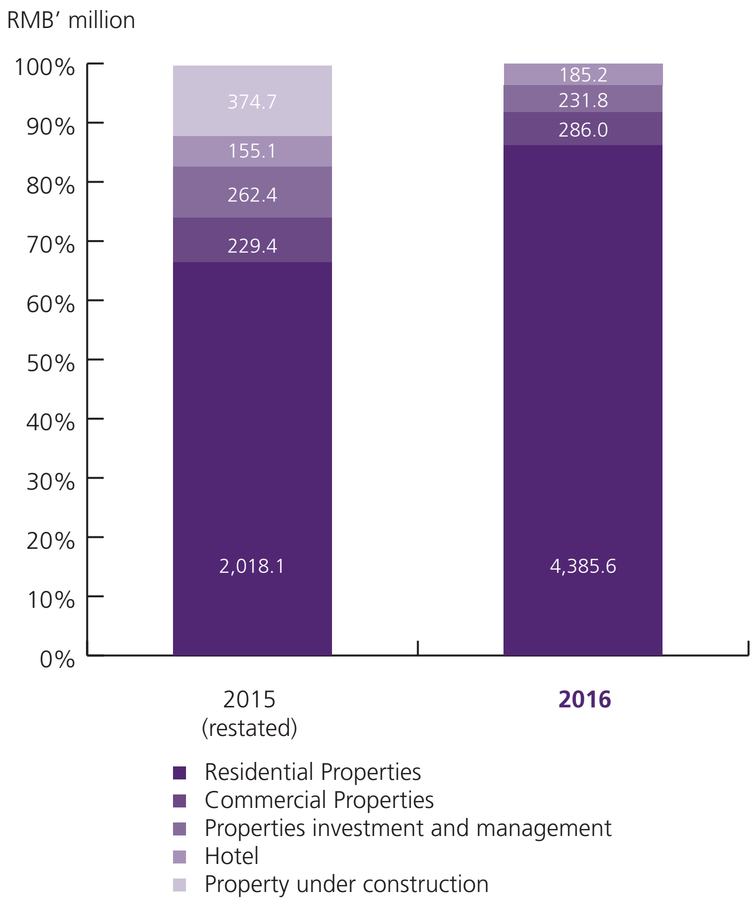
The Group intends to continue to implement a coherent and prudent land acquisition strategy for further replenishment of selected quality land parcels in 2017. The land reserves of the Group had increased by 19.0% to a GFA of 18.2 million sq.m. from 2015 to 2016, which is expected to be sufficient for projected growth over six to seven years. The Group's performance has been highlighted in Nanjing and Wujiang where the property market in 2016 enjoyed its most prosperous year ever resulting from the 'Great Jiangbi' strategy. Looking ahead, the Group remains focused on capturing the opportunities presented by market trends and government policies to optimize the regional layout of property projects.

FINANCIAL REVIEW AND ANALYSIS

For the year ended 31 December 2016, revenue generated by the Group was approximately RMB5,089.7 million (2015: approximately RMB3,039.7 million (restated)), representing an increase of 67.4% as compared to 2015. The increase in revenue in 2016 was mainly due to the increase in the GFA delivered from 278,255 sq.m. (restated) in 2015 to 674,347 sq.m. in 2016. Revenue from various sectors is analyzed as follows:

For the year ended 31 December	Commercial Properties (RMB' million)	Residential Properties (RMB' million)	Properties Investment and Management Income (RMB' million)	Hotel (RMB' million)	Property Construction (RMB' million)	Others (RMB' million)	Total (RMB' million)	Percentage of Increase (Decrease) in Total Revenue
2016	**286.0**	**4,385.6**	**231.8**	**185.2**	**—**	**1.1**	**5,089.7**	**67.4%**
2015 (Restated)	229.4	2,018.1	262.4	155.1	374.7	—	3,039.7	(19.9%)

Revenue by Segment



Revenue from the properties sector contributed 91.8% in total to the Group's revenue. Revenue from the commercial properties sector increased by 24.7%. Revenue generated from the residential properties sector increased for 117.3% in 2016 as compared to 2015 as more new properties were delivered to the buyers upon completion in 2016 such as Beijing Mingfa Mall, Nanjing Mingfa New City Finance Building and etc.

Revenue from the properties investment and management income sector decreased by 11.7%.

Income generated from hotel sector increased by 19.4% from approximately RMB155.1 million for 2015 to approximately RMB185.2 million for 2016. It was mainly due to a new hotel in Zhangzhou was opened in 2016.

No revenue was generated in property construction sector in 2016 as the project named TongDa was completed in 2015.

The gross profit of the Group increased in line with revenue and amounted to approximately RMB1,147.5 million for 2016, representing an increase of 29.5% as compared to 2015 (2015: approximately RMB886.3 million (restated)).

The profit for the year of the Group increased by 226.5% from approximately RMB359.6 million (restated) in 2015 to approximately RMB1,174.2 million in 2016.

The profit attributable to the equity holders of the Company has increased from approximately RMB379.0 million (restated) in 2015 to approximately RMB1,169.4 million in 2016, representing an increase of approximately RMB790.4 million or 208.5% from that of 2015. The major reason for the increase was due to more GFA being delivered and revenue recognized in 2016 as compared to 2015.

The cost of sales of the Group was approximately RMB3,942.2 million for 2016, representing an increase of 83.1% as compared to 2015 (2015: approximately RMB2,153.4 million (restated)). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB5,273.3 per sq.m. for 2016, representing an increase of 8.0% over 2015 (2015: average cost of properties included in cost of sales was RMB4,880.9 per sq.m. (restated)). The increase in cost of properties was mainly due to higher land cost in Beijing properties which were delivered in 2016.

Fair value gains on investment properties decreased by 45.1% to approximately RMB295.2 million (2015: approximately RMB537.2 million). Decrease in fair value gains on investment properties was mainly due to the less new properties being classified as investment properties in 2016.

Net other income and other gains and losses increased by 188.1% from approximately RMB122.3 million in 2015 to approximately RMB352.3 million in 2016. The increase in other losses was due to the additional exchange losses arisen from RMB depreciation in 2016 and new provision for losses on financial guarantee contract.

Selling and marketing costs of the Group were approximately RMB265.6 million in 2016, representing an increase of 62.8% over 2015 (2015: approximately RMB163.2 million). The increase was mainly due to the increase in sales commission where the sales increased from RMB3.0 billion in 2015 to RMB5.1 billion in 2016.

General and administrative expenses of the Group were approximately RMB670.1 million in 2016, representing an increase of 31.8% over 2015 (2015: approximately RMB508.4 million). The increase was mainly due to additional professional fee for investigation and increase in salary arisen from the increase in number of staff.

All financing cost had been capitalized in 2016.

CAPITAL STRUCTURE

As at 31 December 2016, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB2,290.1 million (31 December 2015: approximately RMB1,915.1 million). Restricted cash of the Group was approximately RMB1,382.9 million (31 December 2015: approximately RMB3,076.3 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB9,148.7 million and RMB3,440.2 million respectively (31 December 2015: approximately RMB9,659.4 million and RMB5,488.5 million respectively). The cash and cash equivalents of the Group were mainly denominated in Renminbi as at 31 December 2016.

Total interest expenses including the capitalised interest costs amounted to approximately RMB1,030.6 million (31 December 2015: approximately RMB1,079.9 million) in total. In addition, interests with an amount of approximately RMB1,030.6 million (31 December 2015: approximately RMB1,079.9 million) were capitalised in 2016.

Set out below are the major ratios of the Group:

	As at and for the year ended 31 December	
	2016	2015 (Restated)
Gross profit margin	**22.5%**	29.2%
Operating profit margin	**3.0%**	20.8%
Net profit margin	**23.1%**	11.8%
Current ratio	**1.08**	1.17
Total liabilities to total assets	**78.2%**	75.8%
Bank loans and other borrowings to shareholders' funds	**101.2%**	132.0%
Non-current bank loans and other borrowings to total assets	**5.6%**	10.6%
Gearing ratio*	**40.2%**	44.7%

* Defined as net debt (total borrowings and derivative financial instruments less cash and cash equivalents and cash restricted for borrowings) divided by the sum of shareholders' funds and net debt.

PLEDGES OF ASSETS

As at 31 December 2016, investment properties of the Group with net book value of approximately RMB2,610.5 million (31 December 2015: approximately RMB5,176.6 million), buildings of approximately RMB430.9 million (31 December 2015: approximately RMB544.2 million), land use rights of approximately RMB4,282.5 million (31 December 2015: approximately RMB4,711.0 million), completed properties held for sale of approximately RMB1,369.2 million (31 December 2015: approximately RMB2,611.9 million), properties under development of approximately RMB2,824.9 million (31 December 2015: approximately RMB1,836.3 million), prepayments or deposits for land use right of approximately RMB Nil (31 December 2015: approximately RMB268.7 million) available-for-sale financial assets of approximately RMB Nil (31 December 2015: approximately RMB100.0 million) and restricted bank deposits of approximately RMB1,382.9 million (31 December 2015: approximately RMB3,076.3 million) were pledged to secure the banking facilities of the Group.

CAPITAL COMMITMENTS

As at 31 December 2016, the contracted capital commitments of the Group were approximately RMB8,929.5 million (31 December 2015: approximately RMB5,598.7 million), which were mainly the capital commitments for property development. It is expected that the Group will finance such commitments from internally generated funds and resources.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2016, the contingent liabilities of the Group was approximately RMB5,093.1 million (31 December 2015: approximately RMB4,245.1 million), which were mainly the guarantees given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

FOREIGN EXCHANGE RISK

As at 31 December 2016, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 91.3%, 0.4% and 8.3% (31 December 2015: Renminbi, Hong Kong dollars and US dollars accounted for 92.0%, 1.2% and 6.8% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group were denominated in Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars in respective proportions of 61.6%, 9.4%, 28.5% and 0.5% (31 December 2015: Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars accounted for 63.1%, 19.0%, 17.2% and 0.7% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchases, bank borrowings and other borrowings of the Group in 2016 were made mainly in Renminbi, Hong Kong dollars and US dollars, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted either in Renminbi, Hong Kong dollars or US dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2016 as the hedging cost was comparable to the corresponding risk.

INTEREST RATE RISK

As at 31 December 2016, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi, Hong Kong dollars and US dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

FUNDING AND TREASURY POLICY

The Group utilizes cash flows generated from operating activities and bank loans to finance its operations, construction and capital expenditure, to increase its land banks, to discharge its debt and to ensure the continuous growth of the Group's business.

CREDIT POLICIES

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitors these deposits and advances to ensure actions are taken to recover these balances in the case of any risk of default.

HUMAN RESOURCES

As at 31 December 2016, the Group employed 2,459 staff (31 December 2015: 2,361 staff). The increase in staff was mainly due to more staff were recruited for new project companies. For 2016, the staff costs of the Group including Directors' emoluments were approximately RMB306.3 million (2015: approximately RMB232.8 million). The increase was due to increase in number of staff and annual salary adjustment. The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, training and pregnancy insurance plan.

The Company values human capital and is keen to improve the professionalism and competitiveness of employees through training and regular performance reviews. The Group provides various training opportunities to employees, including training for accounting teams and other training in relation to the latest group reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustment whenever necessary so as to maintain its competitiveness in the employment market.

PENSION SCHEME

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with applicable laws and regulations of different jurisdictions.

The Group has participated in the mandatory provident fund scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates.

In relation to the employees in the PRC, the PRC Government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

For 2016, the contribution to the above MPF Scheme and retirement benefit scheme made by the Group amounted to approximately RMB26.6 million (2015: approximately RMB23.3 million).

DIVIDEND POLICY

In general, the Company will declare or propose dividends semi-annually when the Board approves the interim results and the annual results. Any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements, capital efficiency and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders of the Company. There is no assurance that dividends of any amount will be declared or distributed in any given year.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company ("**Shareholders**") as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. During the year under review, all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**") were fulfilled by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding the Director' securities transactions throughout the year under review.

BOARD OF DIRECTORS

Directors during the financial year end and up to the date of this report were:

Executive Directors

Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Independent Non-Executive Directors

Mr. Lau Kin Hon
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*
Dr. Lam, Lee G. *(appointed on 1 September 2018)*
Mr. Qu Wenzhou *(resigned on 31 August 2018)*
Mr. Dai Yiyi *(resigned on 1 September 2018)*
Dr. Wong Tin Yau Kelvin *J.P.* *(appointed on 1 September 2018 and retired on 6 March 2019)*

Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui are all brothers.

The Directors' biographical information are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. All Executive Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director has sufficient experience to hold the position so as to perform his duties effectively and efficiently.

A total of 7 Board meetings were held during the year under review. The individual attendance of each Director was as follows:

Name of Director	Number of Meetings Attended	Total of Meetings Held during the Director's Tenure
Mr. Wong Wun Ming	6	7
Mr. Huang Qingzhu	4	7
Mr. Huang Lianchun	4	7
Mr. Huang Li Shui	3	7
Mr. Lau Kin Hon	6	7
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*	2	2
Mr. Qu Wenzhou *(resigned on 31 August 2018)*	6	7
Mr. Dai Yiyi *(resigned on 1 September 2018)*	6	7

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in this annual report, none of the Directors holds directorships in other listed companies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the role of the chairman was performed by Mr. Wong Wun Ming who has been responsible for the overall strategic planning and management of the Group, and responsible for ensuring effectiveness of the Board, promoting the Company and upholding the Company's corporate governance. The role of the chief executive officer of the Company was performed by Mr. Huang Qingzhu who has been responsible for overall daily operation of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had four independent non-executive Directors ("**Independent Non-Executive Directors**") during the year under review, namely Mr. Dai Yiyi (resigned on 1 September 2018), Mr. Qu Wenzhou (resigned on 31 August 2018), Mr. Lau Kin Hon and Mr. Chu Kin Wang Peleus (appointed on 1 November 2016), who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each of the Independent Non-Executive Directors has been appointed for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement.

NOMINATION OF DIRECTORS

The Company has set up a nomination committee ("**Nomination Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Nomination Committee are to formulate nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

During the year under review, the chairperson of the Nomination Committee was Mr. Dai Yiyi (resigned on 1 September 2018). The other members were Mr. Qu Wenzhou (resigned on 31 August 2018), Mr. Lau Kin Hon and Mr. Chu Kin Wang Peleus (appointed on 1 November 2018). All were Independent Non-Executive Directors.

Two Nomination Committee meetings were held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Meeting Attended	Total of Meetings Held during the Director's Tenure
Mr. Dai Yiyi *(chairperson of the Nomination Committee and resigned on 1 September 2018)*	2	2
Mr. Qu Wenzhou *(resigned on 31 August 2018)*	2	2
Mr. Lau Kin Hon	2	2
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*	0	0

The tasks performed by the Nomination Committee during the year under review in discharging its responsibilities include:

(a) to review the structure, size and composition of the Board;

(b) to assess the independence of Independent Non-Executive Directors;

(c) to recommend re-election of retiring Directors, namely Mr. Huang Lianchun and Mr. Huang Li Shui as executive Directors, and Mr. Dai Yiyi (resigned on 1 September 2018) and Mr. Qu Wenzhou (resigned on 31 August 2018) as Independent Non-Executive Director to the Board; and

(d) to review and assess the independence and the appointment of Mr. Chu Kin Wang Peleus as the Independent Non-Executive Director and the member of the Nomination Committee effective 1 November 2018.

BOARD DIVERSITY POLICY

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Company recognises and embraces the benefits of diversity of Board to enhance the quality of its performance. The Board has adopted a board diversity policy as set out in the Terms of Reference of Nomination Committee effective from 26 August 2013. All Board appointments will continue to be made on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Under the board diversity policy, selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Each of the Board members possessed different skills and knowledge, including property development, construction and building construction management, development strategy and marketing management, financial management, procurement management, administration and business management, property and hotel management, investment development, legal and human resource management, etc. The Board is characterized by significant diversity in terms of age, designation, length of service, skills and knowledge.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has set up a remuneration committee ("**Remuneration Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance based on remuneration and to ensure none of the Directors can determine their own remuneration.

The Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual Executive Directors, Independent Non-Executive Directors and senior management of the Company and have access to professional advice, if necessary.

The basis of the emoluments payable to the Directors is determined with reference to the range of prevailing remuneration for directors of listed companies in Hong Kong and is subject to the approval of the Board. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions in the Group and the desirability of performance-based remuneration.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 33 to the financial statements.

During the year ended review, the chairperson of the Remuneration Committee was Mr. Qu Wenzhou (resigned on 31 August 2018). The other members were Mr. Dai Yiyi (resigned on 1 September 2018), Mr. Lau Kin Hon and Mr. Chu Kin Wang Peleus (appointed on 1 November 2018). All were Independent Non-Executive Directors.

Two Remuneration Committee meetings were held during the year under review. The individual attendance of each member was as follows:

Name of Director	**Number of Meetings Attended**	**Total of Meetings Held during the Director's Tenure**
Mr. Qu Wenzhou *(chairperson of the Remuneration Committee and resigned on 31 August 2018)*	2	2
Mr. Dai Yiyi *(resigned on 1 September 2018)*	2	2
Mr. Lau Kin Hon	2	2
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*	0	0

The tasks performed by the Remuneration Committee during the year under review in discharging its responsibilities include:

(a) to assess performance of Executive Directors and to review the remuneration policy and structure of the Directors and senior management of the Group;

(b) to review and approve the remuneration packages for all Executive Directors, Independent Non-Executive Directors and senior management of the Group; and

(c) to review the appointment and the remuneration package of Mr. Chu Kin Wang Peleus as the Independent Non-Executive Director and a member of the Remuneration Committee and the nomination committee of the Company effective 1 November 2016.

AUDIT COMMITTEE

The Company has set up an audit committee ("**Audit Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee include making recommendations to the Board in relation to the independency and engagement of external auditor, monitoring the integrity, accuracy and fairness of financial statements, reviewing the system of financial control, internal control and risk management, overseeing the audit process, reviewing the corporate governance practices of the Company and performing other duties and responsibilities as assigned by the Board.

The Board delegates its following responsibility and duties in relation to the corporate governance to the Audit Committee:

- to develop and review the policies 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 Corporate Governance Code and disclosure in the Company's Corporate Governance Report according to the Listing Rules.

During the year under review, the chairperson of the Audit Committee was Mr. Qu Wenzhou (resigned on 31 August 2018). The other members were Mr. Dai Yiyi (resigned on 1 September 2018) and Mr. Lau Kin Hon. All were Independent Non-Executive Directors.

Two Audit Committee meetings were held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Meetings Attended	Total of Meetings Held during the Director's Tenure
Mr. Qu Wenzhou *(chairperson of the Audit Committee and resigned on 31 August 2018)*	2	2
Mr. Dai Yiyi *(resigned on 1 September 2018)*	2	2
Mr. Lau Kin Hon	2	2

The tasks performed by the Audit Committee during the year under review in discharging its responsibilities include:

(a) to review the performance of the external independent auditor;

(b) to review the corporate governance policies and practices of the Company and make recommendation to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirement; to review the training and continuous professional development of the Directors and senior management of the Company and to review the disclosure made in the corporate governance report;

(c) to review the issues raised by the auditor of the Company; and

(d) to appoint an independent third party for investigation on such issues.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment as our Directors, each newly appointed Director receives comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being our Director, in order to ensure each Director is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company encourages all Directors and also senior executives to equip themselves with relevant up-to-date knowledge and skills. According to the training record maintained by the Company, all Directors received certain trainings during the year under review. A summary of their records of training in 2016 is as follows:

Name of Director	Types of Training/Development*
Executive Directors	
Mr. Wong Wun Ming	A, B
Mr. Huang Qingzhu	A, B
Mr. Huang Lianchun	A, B
Mr. Huang Li Shui	A, B
Independent Non-Executive Directors	
Mr. Qu Wenzhou *(resigned on 31 August 2018)*	A, B
Mr. Dai Yiyi *(resigned on 1 September 2018)*	A, B
Mr. Lau Kin Hon	A, B
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*	Induction training

* The letter "A" denotes the activities which include reviewing company business updates, company news and reports and industry updates. The letter "B" denotes the activities which include reading updates of laws, rules and regulations, accounting standards, newspapers and industry journals.

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT

The remuneration of the members of the senior management of the Group for the year ended 31 December 2016 and 2015 fall within the following bands:

	Number of Individuals	
	2016	2015
Emolument Bands		
HK$500,001–HK$1,000,000	**3**	3
HK$1,000,001–HK$1,500,000	**—**	—
HK$1,500,001–HK$2,000,000	**—**	—
HK$2,000,001–HK$2,500,000	**1**	1

AUDITOR'S REMUNERATION

For 2016, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB4.8 million in aggregate.

During the year under review, there were no other significant non-audit service assignments performed by the auditor of the Company.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

The Board has the responsibility for maintaining a sound and effective system of internal control. The Directors, through the Audit Committee, have conducted a review of the effectiveness of the system of internal control of the Group including the duties and responsibilities of the compliance department of the Group, the existing internal compliance procedures and the customized and continuing compliance trainings, and have resolved that there is an ongoing system in place for identifying, evaluating and managing significant risks which will be faced by the Group.

The Board of Directors appointed internal control consultant to review the internal control systems and procedures of the Group in December 2018. The scope of review had been reviewed and approved by the Audit Committee. For those major internal control deficiencies identified, the Group had implemented corresponding remedial measures which had been reviewed by the internal control consultant. The Company considers the risk management and internal control systems currently in place are adequate. Please refer to the Company's announcement dated 30 April 2019 for details of this internal control review.

SHAREHOLDERS' RIGHTS

Communication Channel

The Company publishes corporate communications and its Shareholders Communication Policy on its website (http://www.ming-fa.com).

Shareholders of the Company and the investment community may at any time make enquiries to the Company:

By post:
Mingfa Group (International) Company Limited
Units 6–8, 23/F., South Tower, Concordia Plaza
1 Science Museum Road, Tsim Sha Tsui
Kowloon, Hong Kong
Attention: Company Secretary

By telephone: +852 2620 5885
By email: info@mingfagroup.com

The Board and senior management maintain a continuing dialogue with the Shareholders and the investment community through various channels, including the Company's annual general meeting. The chairman and other members of the Board attend the annual general meeting of the Company. Directors will answer questions raised by the Shareholders on the performance of the Group. The Company also holds investor relations conference following the release of full year results announcement at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

GENERAL MEETING

No general meeting was held during the year under review.

Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company ("EGM")

Registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at a general meeting of the Company ("**EGM Requisitionist(s)**") can deposit a written request to convene an EGM at the registered office of the Company, which is presently situated at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1–1205, Cayman Islands.

EGM Requisitionist(s) must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrars of the Company ("**Share Registrars**") will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the company secretary of the Company will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is determined to be not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There is no provision allowing Shareholders to move a new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed "Procedures for Shareholders to convene an EGM".

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

Details of the procedures had been made available online on the websites of the Company (http://www.ming-fa.com) and the Stock Exchange (http://www.hkexnews.hk).

CONSTITUTIONAL DOCUMENT

During the year under review, no amendment to the memorandum and articles of association of the Company was made.

DIRECTOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

All Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view of the Company and the Group.

For and on Behalf of the Board
Mingfa Group (International) Company Limited

Wong Wun Ming
Chairman
28 June 2019

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. WONG Wun Ming (黃煥明), aged 56, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of the Group's strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Mr. Wong has involved in PRC real estate development since 1986 when he formed his own construction company. Mr. Wong accumulated valuable experience in construction and management as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Qingzhu (黃慶祝), aged 48, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been responsible for the day to day management and overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 20 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of the Group from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as a senior economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Lianchun (黃連春), aged 46, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Prior to being appointed as a Director, Mr. Huang served as a general manager of Mingfa Group Nanjing Real Estate Development Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.

Mr. HUANG Li Shui (黃麗水), aged 62, was appointed as our Non-Executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than 20 years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, Mr. Huang served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kin Hon (劉建漢), aged 51, was appointed as an Independent Non-Executive Director on 19 March 2013. Mr. Lau Kin Hon is a practicing solicitor in Hong Kong. Mr. Lau Kin Hon received his bachelor of laws degree from University College, London, U.K. He is currently a partner of a law firm in Hong Kong.

Mr. Lau Kin Hon is an executive director of CL Group (Holdings) Limited (stock code: 8098) and was a non-executive director of Lisi Group (Holdings) Limited (stock code: 526) from 31 May 2005 to 1 January 2019, all of which are listed on the Stock Exchange.

Mr. Lau Kin Hon was the independent non-executive director of Fujian Group Limited ("FGL") during the period from 11 June 1996 to 11 December 2003, Seapower Resources International Limited ("SRI") during the period from 15 August 2000 to 5 December 2003 and I-China Holdings Limited ("ICL") during the period from 1 April 2001 to 23 April 2004. Each of FGL, SRI and ICL was a company listed on the Stock Exchange during Mr. Lau Kin Hon's directorship. FGL was incorporated in Hong Kong whose principal business was property investment. FGL was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2003. Successful debt restructuring of FGL was completed on 11 December 2003 and the said winding up petition and provisional liquidators were discharged on the same date. SRI was incorporated in the Cayman Islands whose principal businesses were property investment and cold storage. SRI was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2001. Successful restructuring of SRI was completed on 5 December 2003 and the said winding up petition and provisional liquidators were discharged accordingly. ICL was incorporated in Bermuda whose principal business was investment holding. ICL was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2002. Successful restructuring of ICL was completed on 23 April 2004 and the said winding up petition and provisional liquidators were discharged accordingly. Mr. Lau Kin Hon has confirmed that there was no wrongful act on his part leading to the winding up petitions in respect of FGL, SRI and ICL.

Mr. CHU Kin Wang Peleus (朱健宏), aged 54, was appointed as an Independent Non-executive Director on 1 November 2016. Mr. Chu Kin Wang Peleus is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators. Mr. Chu Kin Wang Peleus graduated from the University of Hong Kong with a master's degree in business administration in December 1998.

Since December 2008, Mr. Chu Kin Wang Peleus has been the executive director responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (stock code: 0681) which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and listed on the Main Board of the Stock Exchange.

Mr. Chu Kin Wang Peleus had been appointed as a non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a company listed on the Main Board of the Stock Exchange, from 19 August 2015 to 1 March 2017.

Mr. Chu Kin Wang Peleus is or was an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or Growth Enterprise Market (GEM) of the Stock Exchange:

- Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co. Limited) (stock code: 0117) since April 2007
- Huayu Expressway Group Limited (stock code: 1823) since May 2009
- Flyke International Holdings Ltd. (stock code: 1998) since February 2010
- China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269) since October 2011
- SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012
- Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057) since September 2015
- National Agricultural Holdings Limited (stock code: 1236) from 26 June 2015 to 11 September 2015
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited (stock code: 372) from 8 March 2017 to 27 September 2017
- China Huishan Dairy Holdings Company Limited (stock code: 6863) from 22 June to 15 December 2017
- Telecom Service One Holdings Limited (stock code: 8145) from 30 April 2013 to 27 December 2017

Dr. LAM, Lee G. (林家禮), aged 59, was appointed as an Independent Non-Executive Director on 1 September 2018. Dr. LAM, is the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman — Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-industrialization, and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and Convenor of its Digital Silk Road Working Group, and the Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman — Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a Board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board member and the Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.

Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/agriculture/healthcare, infrastructure/real estates, energy/resources and financial services sectors.

Dr. Lam holds a BSc in sciences and mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in law from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, an MPA and a PhD from the University of Hong Kong. A former member of the Hong Kong Bar, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors, the Institute of Public Accountants, the Institute of Financial Accountants and CMA Australia; and an Honorary Fellow of CPA Australia, the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education.

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Co., Ltd. (Stock Code: 6837, a company also listed on Shanghai Stock Exchange, Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited, Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock Code: 404), Mingfa Group (International) Company Limited (Stock Code: 846) and Aurum Pacific (China) Group Limited (Stock Code: 8148); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), Tianda Pharmaceuticals Limited (Stock Code: 455) and Green Leader Holdings Group Limited (Stock Code: 61) (the shares of all of the aforementioned companies are listed on the Stock Exchange).

Dr. Lam is also an independent non-executive director of each of China Real Estate Grp Ltd. (formerly known as Asia-Pacific Strategic Investments Limited, Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Ltd. (formerly known as China Medical (International) Group Limited, Stock Code: VFP) and Thomson Medical Group Limited (Stock Code: A50), and a non-executive director of Singapore eDevelopment Limited (Stock Code: 40V) (the shares of all of the aforementioned companies are listed on Singapore Exchange). Dr. Lam is also an independent director of Sunwah International Limited (Stock Code: SWH) (a company listed on Toronto Stock Exchange); an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH) (a company listed on Australian Securities Exchange), a non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM) (a company listed on London Stock Exchange) and an independent non-executive director of TMC Life Sciences Berhad (a company (Stock Code: 0101) listed on the Main Board of Bursa Malaysia Securities Bhd).

In the three years preceding his appointment as a Director, Dr. Lam was a non-executive director of Roma Group Limited from 13 September 2017 to 11 December 2017; and an independent non-executive director of each of Xi'an Haitiantian Holdings Company Limited (former name as Xi'an Haitain Antenna Holdings Company Limited) from 15 September 2017 to 23 July 2018 and Imagi International Holdings Limited from 11 May 2010 to 28 January 2016, all of which are listed on the Stock Exchange; and an independent non-executive director of Rowsley Limited (a company listed on Singapore Exchange) from 26 June 2002 to 25 April 2018; and an independent non-executive director of Vietnam Equity Holding (a company listed on Stuttgart Stock Exchange) from 25 October 2007 to 28 February 2018.

SENIOR MANAGEMENT

Mr. POON Wing Chuen (潘永存), aged 53, our Chief Financial Officer, Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon is responsible for overseeing the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group on 2 May 2008 and was appointed as the Company Secretary of the Company on 12 September 2008. Mr. Poon has over 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Mr. Poon has confirmed that he has taken no less than 15 hours of relevant professional trainings during 2016 and that he had complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

Ms. HAO Jin (郝晋), aged 41, our Vice President, is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

Report of the Directors

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2016.

BUSINESS INFORMATION

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management. The nature of the principal activities of the Group remained the same without change during the year under review.

A review of the Group's business for the year ended 31 December 2016 and a discussion on the Group's future development are provided in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report.

The Company regards stakeholders as the key element to the Group's long-term development and success, including all employees, customers, suppliers, investors and government authorities. We provide career development and trainings for employees, and pursue active communications amongst all departments head. We ensure active corporate communication and reporting to share the Group's performance, developments and plans through announcements, periodical reports, marketing campaigns and investor relations events. We response to all stakeholders' enquiries in a timely manner so that to maintain long-term relationship and cooperation.

FINANCIAL INFORMATION

The Group's performance for the year ended 31 December 2016 is analyzed by using key financial performance indicators set out in "Summary of Financial Information" of this annual report as a summary of results and assets, liabilities and non-controlling interests of the Group for the last five financial years, which is extracted from the audited consolidated financial statements and restated/reclassified as appropriate. This summary does not form part of the consolidated financial statements.

Possible risks and uncertainties that the Group may be facing and the Group's risk management are discussed in the section heading "Management Discussion and Analysis" and set out in the Note 4 to the consolidated financial statements of this annual report.

SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC during the year under review and are set out in Note 6 to the consolidated financial statements.

COMPLIANCE

The Company recognises the importance of compliance with relevant laws and regulations which has significant impact in its business and all commercial activities, including but not limited to the Listing Rules, the Securities and Futures Ordinance and the labour legislation in Hong Kong such as Employment Ordinance, Minimum Wage Ordinance, Mandatory Provident Fund Schemes Ordinance and the Companies Ordinance, and also comply with legislations in the PRC such as Contract Law, Companies Law, Labour Law, Property Law, Environmental Protection Law as well as foreign exchange control. Throughout the years, the Company keeps abreast in promoting and educating all employees with appropriate knowledge in relevant laws and regulations while carrying out their duties. Through the trainings and effective communication amongst department heads, the Company strives to ensure ongoing compliance.

The Group is committed to environmental protection and believes sustainable development is the key for long-term growth of its business and the society. During the year under review, the Group educated all employees on the importance of environmental protection in its operations and promotes energy saving and emission reduction on construction sites and its' offices, and controlled main contractors to meet the local environment protection policies. The Group will make every endeavor to protect the environment and seek further sustainable improvement.

During the year under review, there was no material non-compliance with relevant rules and regulations, nor were there any reports of material environmental incidents.

PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group during the year under review are set out in Note 7 and Note 8 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year under review are set out in Note 22 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and in Note 42 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had no distributable reserve (2015: Nil).

PRE-EMPTIVE RIGHTS

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement of this annual report.

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

DIRECTORS

The Directors during the year ended 31 December 2016 were as follows:

Executive Directors

Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Independent Non-Executive Directors

Mr. Lau Kin Hon
Mr. Chu Kin Wang Peleus *(appointed on 1 November 2016)*
Mr. Qu Wenzhou *(resigned on 31 August 2018)*
Mr. Dai Yiyi *(resigned on 1 September 2018)*

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the Executive Directors is entitled to their respective basic salary as agreed with the Company.

Each of the Independent Non-Executive Directors has entered into a service agreement with the Company for a term of three years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than three months' notice in writing or in accordance with the provisions set out in the respective service agreement. Each of the Independent Non-Executive Directors is entitled to their respective annual Directors' fees as agreed with the Company.

The appointments of the Executive Directors and the Independent Non-Executive Directors are subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

No Director has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Remuneration Committee and approved by the Board with reference to Directors' experience, qualifications, duties, responsibilities involved in the Group, the performance and the results of the Group and also the prevailing market conditions. For the year ended 31 December 2016, none of the Directors has waived or agreed to waive any emoluments. The remuneration, including Directors' fees, amounted to approximately RMB3.9 million for the year under review. For details, please refer to Note 33 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

The articles of association of the Company provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2016, the total number of issued shares of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2016, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, are listed as follows:

The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares *(Note 1)*	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Beneficial owner	13,500,000 shares (L)	0.22%
Mr. Wong Wun Ming	Interest of a controlled corporation *(Note 2)*	5,086,500,000 shares (L)	83.47%

Notes:

(1) The letter "L" denotes a long position in the shares or underlying shares.

(2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited. Galaxy Earnest Limited is wholly-owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and therefore he is deemed to be interested in these 5,086,500,000 shares of the Company pursuant to the SFO.

Associated Corporation — Galaxy Earnest Limited:

Name of Director	Nature of Interest	Total Number of Ordinary Shares in the Associated Corporation	Approximate Percentage of Interest in the Associated Corporation
Mr. Wong Wun Ming	Interest of a controlled corporation *(Note 1)*	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation *(Note 2)*	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation *(Note 3)*	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation *(Note 4)*	1,650 shares	15.00%

Notes:

(1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly-owned by Mr. Wong Wun Ming.

(2) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.

(3) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly-owned by Mr. Huang Lianchun.

(4) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly- owned by Mr. Huang Li Shui.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the section headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES" in this report, at no time during the year under review were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

DIRECTORS' INTERESTS IN ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "RELATED PARTY AND CONNECTED TRANSACTIONS" in this report, no arrangement or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end or at any time during the year under review.

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 under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group during the year under review.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2016, the interests or short positions of those persons, other than the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares (Note 1)	Approximate Percentage of Interest in the Company
Galaxy Earnest Limited	Beneficial owner	5,086,500,000 shares	83.47%
Ms. Chen Bihua	Interest of spouse (Note 2, 3, 4)	5,100,000,000 shares (L)	83.70%
China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited)	Interest of a controlled corporation (Note 5)	1,602,948,000 shares (L)	26.31%
中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited)	Interest of a controlled corporation (Note 5)	1,602,948,000 shares (L)	26.31%
Haitong Securities Co., Ltd.	Interest of a controlled corporation (Note 6)	1,000,000,000 shares (L)	16.41%

Notes:

(1) The letter "L" denotes a long position in the shares or underlying shares.

(2) Mr. Wong Wun Ming held long interest in 5,100,000,000 shares in the Company, comprising:

(a) 13,500,000 shares beneficially owned by him; and

(b) 5,086,500,000 shares held by Galaxy Earnest Limited. Galaxy Earnest Limited is owned as to 55% by Growing Group Limited, a company wholly-owned by Mr. Wong Wun Ming. Mr. Wong Wun Ming is therefore deemed to be interested in such 5,086,500,000 shares of the Company pursuant to the Securities and Futures Ordinance.

(3) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is interested in pursuant to the Securities and Futures Ordinance.

(4) Mr. Wong Wun Ming and Ms. Chen Bihua, being controlling shareholders of the Company, have pledged (i) an aggregate of 1,602,948,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 26.31% of the total issued share capital of the Company, to note holders pursuant to a share charge executed in December 2014 and (ii) an aggregate of 1,000,000,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 16.4% of the total issued share capital of the Company, to Haitong International Finance Company Limited pursuant to a facility agreement signed in December 2016.

(5) China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited) and 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) are deemed to be interested in these 1,602,948,000 shares in which China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited) held as lender pursuant to a deed of amendment and restatement and a share charge executed in December 2015 by Galaxy Earnest Limited in favour of China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited).

(6) Haitong Securities Co., Ltd. is deemed to be interested in the 1,000,000,000 shares in which Haitong International Securities Company Limited held as security agent for bondholders pursuant to a share charge executed by Galaxy Earnest Limited in favor of Haitong International Securities Company Limited, details of which are disclosed in the announcement of the Company dated 15 December 2016. Haitong International Securities Company Limited is wholly owned by Haitong International Finance Company Limited, a company wholly-owned by Haitong International (BVI) Limited, which is in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is owned as to approximately 61.00% by Haitong International Holdings Limited, which is wholly-owned by Haitong Securities Co., Limited.

Save as disclosed above, as at 31 December 2016, no person, other than the Directors or chief executives of the Company, had any interest or short position in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Board adopted a share option scheme ("**Share Option Scheme**") on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company in order to provide motivation and long-term incentive to the employees of the Group and to retain and attract talents for continual operation and also for further development of the Group's business. Up to 31 December 2016, no option had been granted under the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out below:

Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to 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.

Participants of the Share Option Scheme

Any Directors (including Non-Executive Directors and Independent Non-Executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

Total Number of Shares Available for Issue Under the Share Option Scheme and Percentage of Issued Share Capital as at 31 December 2016

600,000,000 shares (approximately 9.84% of total issued share capital).

Maximum Entitlement of Each Participant Under the Share Option Scheme

In any 12-month period, in aggregate not exceeding 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

Period Within Which the Shares Must Be Taken Up Under an Option

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 10 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 10 years after it has been granted.

Amount Payable on Application or Acceptance of the Option

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

Basis of Determining the Exercise Price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

Remaining Life of the Share Option Scheme

Up to 9 October 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers (excluding land purchases) accounted for less than 30% of the total purchases of the Group.

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 41 to the consolidated financial statements of this annual report. There were no related party transactions of the Group which also constitute connected transactions under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company confirms sufficiency of public float as at the date of this annual report.

SENIOR NOTES

Details of the senior notes issued by the Company are set out in Note 24 to the consolidated financial statements.

GUARANTEED TERM NOTES DUE 2017

Reference is made to the Company's announcement dated 28 December 2015 (capitalized terms in this paragraph have the same meanings as those defined therein). On 28 December 2015, the Company, together with the Guarantors, entered into the Facility Agreement with the Lender whereby the Lender agreed to provide to the Company a US dollar term loan facility in an aggregate amount of up to US$100,000,000 subject to the terms of the Facility Agreement. On 24 December 2015, the Chargor entered into the Share Charge in favour of the Lender to secure the performance of, amongst other things, the obligations of the Company and other obligors under the Facility Agreement and the other Finance Documents, pursuant to which the Chargor shall deposit 1,602,948,000 Shares held by it into the Custodian Securities Account and charge as beneficial owner by way of first fixed charge in favour of the Lender all the Chargor's right, title and interest from time to time in and to such Shares and all related rights in relation thereto.

With effect from the Amendment Effective Date, the loan facility shall bear interest at the rate of 8% per annum, payable on a quarterly basis on each calendar year. The final maturity date of the loan facility shall be 24 months after the Amendment Effective Date. It is agreed that with effect from the Amendment Effective Date, the Existing Notes have been converted into a loan under the Facility Agreement in an aggregate principal amount of US$60,000,000. For the avoidance of doubt, the available facility on the Amendment Effective Date shall be US$40,000,000.

Upon occurrence of an event of default, the Lender may by notice to the Company declare that all or part of the principal amount of loan outstanding under the Facility Agreement (together with accrued interest and other amounts accrued or outstanding under the Finance Documents) be immediately due and repayable in accordance with the terms and conditions of the Facility Agreement. An event of default under the conditions of the Facility Agreement if, among others things:

(a) the Chargor does not or ceases to hold and beneficially own at least 55% of the issued share capital (of each class) of the Company (on an actual basis and on a fully diluted basis);

(b) any person or persons acting in concert (other than the Chargor) hold or beneficially own or acquire (directly or indirectly) shares of any class in the Company (either on an actual basis or fully diluted basis) which (in aggregate, and either on an actual basis or a fully diluted basis) is not less than the aggregate percentage of shares (of such class) in the Company that are beneficially owned by the Chargor;

(c) Growing Group, Gainday Holdings, Better Luck and Tin Sun do not or cease to (in the aggregate) hold and beneficially own 100% of the equity interests in the Chargor;

(d) (i) Growing Group does not or ceases to hold and beneficially own at least 55% of the equity interests in the Chargor, (ii) Gainday Holdings does not or ceases to hold and beneficially own at least 15% of the equity interests in the Chargor, (iii) Better Luck does not or ceases to hold and beneficially own at least 15% of the equity interests in the Chargor or (iv) Tin Sun does not or ceases to hold and beneficially own at least 15% of the equity interests in the Chargor;

(e) Wong Wun Ming does not or ceases to hold and beneficially own 100% of the equity interests in Growing Group;

(f) Huang Qingzhu does not or ceases to hold and beneficially own 100% of the equity interests in Gainday Holdings;

(g) Huang Li Shui does not or ceases to hold and beneficially own 100% of the equity interests in Better Luck;

(h) Huang Lianchun does not or ceases to hold and beneficially own 100% of the equity interests in Tin Sun; or

(i) among Wong Wun Ming, Huang Qingzhu, Huang Lianchun and Huang Li Shui, any two or more of them are not or cease to be executive directors of the Company.

GUARANTEED BONDS DUE 2019

Reference is made to the Company's announcement dated 15 December 2016 (capitalized terms in this paragraph have the same meanings as those defined therein). On 15 December 2016, the Company, together with the Guarantors, entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to act as the exclusive placing agent for the Company in relation to the issue by the Company and the placing on a private placement basis by the Placing Agent of the Bonds upon the terms and subject to the conditions set forth in the Placing Agreement. The Placing Agent shall use its best efforts to place and procure the subscribers to subscribe and pay for the Bonds with an aggregate principal amount of US$60,000,000. Unless previously redeemed or purchased and cancelled by the Company, the Bonds will be redeemed at their principal amount on an Interest Payment Date in 2019. The net proceeds from the issue of the Bonds is approximately US$58 million for general corporate purposes of the Group.

On first Closing Date, the Chargor entered into the Share Charge in favour of the Security Agent as agent of the Bondholders, whereby the Chargor, being the controlling shareholder of the Company, undertake with the Security Agent that it shall ensure that at all times the 1,000,000,000 Shares represent no less than 16.41% of the total issued capital of the Company.

Pursuant to the terms of the Bonds, a change of control event occurs if (a) the Chargor ceases to be the controlling shareholder of the Company; or (b) the Personal Guarantors jointly cease to legally or beneficially own 100% of the total issued share capital of the Chargor from time to time; any Bondholder will have the right, at such Bondholder's option, to require the Company to redeem all, but not some only, of their Bonds at 100% of their principal amount together with accrued interest to (but excluding) the date of such early redemption.

DETAILS OF THE TRANSACTIONS IN THE SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

Mingfa (China) Investments Co., Ltd.

Ming Fat Holdings (Hong Kong) Limited (明發集團（香港）有限公司) made further capital contribution of USD90 million to the equity capital of Mingfa (China) Investments Co., Ltd. (明發（中國）投資有限公司) in 2016, and following completion of the capital contribution, Ming Fat Holdings (Hong Kong) Limited (明發集團（香港）有限公司) remains as the sole equity holder holding 100% interest of Mingfa (China) Investments Co., Ltd. (明發（中國）投資有限公司).

Mingfa Group Yangzhou Real Estate Co., Ltd.

Mingfa Group Yangzhou Real Estate Co., Ltd. (明發集團揚州房地產開發有限公司) has a capital reduction in 2016, the capital amount was reduced from USD16.923 million to USD11 million.

SIGNIFICANT INVESTMENTS

Saved as those disclosed under the section headed "Management Discussion and Analysis", the Group did not have any significant investments during the year under review.

PARTICIPATION IN THE COMMUNITY AND GIVING BACK TO SOCIETY

The Group has been paying close attention to the needs of the society and the Group is willing to shoulder social responsibilities and make contributions to those in need, particularly in the areas of education and environmental protection.

In 2016, the Group donated a total of approximately RMB3.1 million to various charitable associations in the PRC to support and finance their charitable activities. In future, the Group will continue to make contributions to support charitable activities and to give back to society.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

TAXATION

Details of the taxation of the Group are set out in Note 34 to the consolidated financial statements.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

MATERIAL LITIGATION AND ARBITRATION

Dispute Relating to Yangcheng Lake Project

As at the date of this report, no judgment for the appeal was made by People's Court of Suzhou Industry Park since the last disclosure made by the Company in its 2013 annual report.

Details of the dispute have been set out in the Company's annual reports of 2009 to 2013 and in the Company's interim reports of 2010, 2012 to 2013.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

On 27 April 2016, the Group acquired addition 36% equity interest in Nanjing Mingfa New Town Real Estate Company Limited (南京明發新城置業有限公司) ("**Mingfa New Town**") at a cash consideration of RMB568,845,000. After the acquisition, Mingfa New Town became the Group's wholly owned subsidiary.

On 3 August 2016, the Group completed an acquisition of 100% equity interest in Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥制品有限公司) at a cash consideration of RMB200,000,000.

Save for the abovementioned, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

SUBSEQUENT EVENTS

(a) Senior notes and bonds

(i) ***Bonds with principal amount of US$220,000,000, interest rate at 11 per cent and due date in 2020 ("2020 Bonds A")***

On 18 May 2017, the 2020 Bonds A were issued.

(ii) ***Bonds with principal amount of US$60,000,000, interest rate at 9 per cent and due date in 2019 ("2019 Bonds A")***

In May 2017, principal amount of US$10,000,000 of the 2019 Bonds A which were issued on 15 December 2016 was redeemed.

(iii) ***Senior notes with principal amount of US$100,000,000, interest rate at 13.25 per cent and due date in 2018 ("2018 Notes")***

On 1 February 2018, the 2018 Notes which were issued on 1 February 2013 were redeemed.

(iv) ***Bonds with principal amount of US$200,000,000, interest rate at 15 per cent and due date in 2020 ("2020 Bonds B")***

On 16 January 2019, the 2020 Bonds B were issued.

(v) ***Bonds with principal amount of US$200,000,000, interest rate at 11 per cent and due date in 2019 ("2019 Bonds B")***
The 2019 Bonds B were issued on 17 January 2018 and redeemed on 16 January 2019.

(b) Acquisition of subsidiaries

(i) On 6 April 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Property Co.,Ltd. and liabilities at a cash consideration of approximate RMB112,500,000.

(ii) On 2 August 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Spa Travel Investments Co.,Ltd. and liabilities at a cash consideration of approximate RMB67,500,000.

(iii) On 7 August 2018, the Group completed an acquisition of 50% equity interest in a PRC entity Nanjing Zhaofu International Golf Club Co., Ltd at a cash consideration of approximate RMB210,000,000.

(c) Disposal of subsidiaries

(i) Pursuant to the equity transfer agreement entered into between the Group and a third party on 11 December 2017, the Group agreed to sell entire 55% equity interest in Nanjing Mingfa Long Wei Construction Technology Co., Ltd, a subsidiary of the Group to the third party at a consideration of RMB55,000,000, which was fully received by the Group in December 2017 and the disposal was completed by the end of 2017.

(ii) On 4 April 2019, the Group and an independent third party buyer entered into an equity transfer and cooperation agreement pursuant to which, the Group agreed to sell and the buyer agreed to buy the Group's 51% equity interests in subsidiaries, which have obtained the land use rights in relation to the project sites located in Silianpian District, Wujiang Town, He Country, Maanshan City, Anhui Province of a total gross floor area of 1,888,000 square metres, for the consideration of RMB2,792,000,000. Upon completion of the equity transfer, the Group will hold 49% equity interests in these subsidiaries and the Group and the buyer shall cooperate to develop the project. Details are disclosed in the Company's announcement date 4 April 2019.

AUDITOR

Following the passing of an ordinary resolution at the 2015 annual general meeting held on 6 March 2019, BDO Limited was appointed to fill the vacancy arising from the retirement of PricewaterhouseCoopers as the Company's auditor.

The consolidated financial statements for the year ended 31 December 2016 have been audited by BDO Limited who will retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of BDO Limited as the Company's auditor will be proposed at the forthcoming AGM.

On Behalf of the Board
Mingfa Group (International) Company Limited

Wong Wun Ming
Chairman
28 June 2019

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TO THE SHAREHOLDERS OF MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 201, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

On 20 December 2014, the Group entered into an equity sales agreement with a relative of the Company's ultimate controlling shareholders (the "Buyer") to sell the Group's 51% equity interest in a subsidiary (the "Subsidiary") at a consideration of RMB663,000,000 (the "Consideration"). After the sale, the Subsidiary will become a joint venture. On 31 December 2014, the first instalment payment of the Consideration amounted to RMB32,689,000 was received. Further partial payments for the Consideration were received during the year ended 31 December 2015. On 10 January 2015, the Group had handed over certain legal documents and stamps of the Subsidiary to the Buyer, including corporate licenses, corporate stamp, contract stamp and finance stamp, etc. (the "Legal Documents and Stamps"). It is common for the beneficial owners or controlling parties of the People's Republic of China (the "PRC") entities to hold the Legal Documents and Stamps for the execution of contracts and agreements.

In September 2016, the Group has entered into a cancellation agreement to the equity sales agreement signed in December 2014 to terminate the proposed sale of the Group's 51% equity interest in the Subsidiary. The Buyer returned the Legal Documents and Stamps to the Company in October 2016.

In the preparation of 2015 consolidated financial statements, directors of the Company determined that disposal of the Group's 51% equity interest in the Subsidiary was incomplete and accordingly, the Company has not transferred and changed the legal ownership of the Subsidiary in the registry of the Industry and Commerce Bureau of the PRC. They also concluded that the Group retained control of the Subsidiary because the Group had the right to make key operating and financing decisions of the Subsidiary notwithstanding the fact that the Legal Documents and Stamps have been handed over to the Buyer.

BASIS FOR QUALIFIED OPINION (continued)

In our audit of the Group's consolidated financial statements for the year ended 31 December 2016 ("2016 consolidated financial statements"), directors of the Company were unable to provide us with satisfactory explanation for handing over the Legal Documents and Stamps to the Buyer and appropriate documentary evidence corroborating their representation that the Group had the right to make key operating and financing decisions of the Subsidiary and the disposal of the Group's 51% interest in the Subsidiary was incomplete as at 31 December 2015. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether consolidating the Subsidiary in the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the Subsidiary was appropriate.

The predecessor auditor disclaimed their audit opinion on the Group's 2015 consolidated financial statements due to limitations in their scope of audit work including whether consolidating the Subsidiary in the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the Subsidiary was appropriate.

Any adjustments, if necessary, to account for the sale of the Group's 51% equity interest in the Subsidiary during the year ended 31 December 2015 would have consequential impacts on the consolidated statement of profit or loss, consolidated statement of other comprehensive income and the elements making up the consolidated statement of cash flows for the year ended 31 December 2016 and the related disclosures thereof in 2016 consolidated financial statements. Our audit opinion on 2016 consolidated financial statements is also modified for the possible effect of these unresolved matters on the comparability of the related 2016 figures and the 2015 figures in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and the related disclosures in 2016 consolidated financial statements.

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

EMPHASIS OF MATTER

We draw attention to note 3 to the consolidated financial statements which set out the details of the prior year adjustments provided by the management.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Basis for Qualified Opinion" section, we have determined the matters descried below to the key audit matters to be communicated in the matter.

KEY AUDIT MATTERS (continued)

Valuation of investment properties
(Refer to Note 8 to the consolidated financial statements)

Based on valuations carried out by an independent qualified valuer, the management estimated the fair value of the Group's investment properties to be approximately RMB8,168,835,000 as at 31 December 2016, with a fair value gain for the year then ended of approximately RMB295,157,000 recorded in the consolidated statement of profit or loss.

Valuation of the Group's investment properties is dependent on certain key assumptions and estimations that require significant management judgement. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the investment properties.

Our key procedures in relation to the valuation of investment properties included:

— Assessing the appropriateness of the methodologies and reasonableness of the key assumptions and estimations used;

— Checking the appropriateness of the key input data used and determination of fair value;

— Engaging an auditor's expert to assist our assessment on the appropriateness of the methodologies and the reasonableness of the assumptions and estimations adopted in the valuation for estimating the fair value of the investment properties; and

— Evaluation of the competence, capabilities and objectivity of management's expert and auditor's expert.

Impairment assessment of properties under development and completed properties held for sale
(Refer to Notes 12 and 15 to the consolidated financial statements)

The Group had properties under development and completed properties held for sale with aggregate carrying amounts of RMB11,471,804,000 and RMB9,601,913,000 respectively as at 31 December 2016. Estimation of net realisable value of the Group's properties under development and completed properties held for sale involves significant judgements and is critically dependent upon the Group's estimation of the market selling prices and the future costs to completion.

Our major procedures in relation to management's assessments of the net realisable value of properties under development and completed properties held for sale included:

— Assessing, on a sample basis, the reasonableness of the future costs to completion of the properties under development estimated by the management based on the underlying documentation such as approved budgets of development project costs and existing construction contracts;

KEY AUDIT MATTERS (continued)

Impairment assessment of properties under development and completed properties held for sale (continued)

— Assessing, on a sample basis, the appropriateness of the estimated selling price of the properties used by the management by comparing them to the recently transacted prices and prices of comparable properties in the vicinity of the development projects; and

— Assessing the appropriateness of the basis of the determination of the net realisable value of properties under development and completed properties held for sale, and evaluating the reasonableness and consistency of the key assumptions used by the management.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed a disclaimer of opinion on those statements on 31 March 2016.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

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

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

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

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220

Hong Kong, 28 June 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Revenues	6	**5,089,696**	3,039,665
Cost of sales		**(3,942,243)**	(2,153,374)
Gross profit		**1,147,453**	886,291
Fair value gains on investment properties	8	**295,157**	537,243
Fair value gains on derivative financial instruments	4(e)	**—**	2,432
Other income and other gains and losses	30	**(352,261)**	(122,337)
Selling and marketing costs		**(265,556)**	(163,159)
General and administrative expenses		**(670,142)**	(508,446)
Operating profit		**154,651**	632,024
Finance income	32	**125,083**	72,214
Finance costs	32	**—**	—
Finance income — net	32	**125,083**	72,214
Share of results of			
— Associated companies	13	**55,952**	39,787
— Joint ventures	14	**488,961**	(1,142)
		544,913	38,645
Profit before income tax	31	**824,647**	742,883
Income tax credit/(expense)	34	**349,510**	(383,317)
Profit for the year		**1,174,157**	359,566
Attributable to:			
Equity holders of the Company		**1,169,435**	379,042
Non-controlling interests		**4,722**	(19,476)
		1,174,157	359,566
Earnings per share for profit attributable to equity holders of the Company (RMB cents)	36		
— Basic		**19.2**	6.2
— Diluted		**19.2**	6.2

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit for the year	**1,174,157**	359,566
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**7,132**	10,687
Other comprehensive income for the year, net of tax	**7,132**	10,687
Total comprehensive income for the year	**1,181,289**	370,253
Attributable to:		
Equity holders of the Company	**1,176,567**	389,729
Non-controlling interests	**4,722**	(19,476)
	1,181,289	370,253

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,784,249**	1,381,426
Investment properties	8	**8,168,835**	8,406,161
Land use rights	10	**189,722**	155,927
Goodwill	11	**7,169**	7,169
Investments in associated companies	13	**1,323,227**	1,271,763
Investments in joint ventures	14	**1,948,223**	1,451,101
Deferred income tax assets	26	**304,823**	418,335
Available-for-sale financial assets	20	**26,150**	20,000
Amount due from a joint venture	17	**264,254**	246,275
Other receivables	16	**15,086**	14,851
Prepayments or deposits for land use rights	9	**2,848,526**	2,828,957
		16,880,264	16,201,965
Current assets			
Land use rights	10	**13,176,631**	10,385,150
Properties under development	12	**11,471,804**	10,310,041
Completed properties held for sale	15	**9,601,913**	6,470,029
Inventories		**44,582**	15,069
Trade and other receivables and prepayments	16	**5,101,392**	2,464,587
Prepaid income taxes		**605,471**	194,219
Amounts due from related parties, joint ventures and associated companies	17	**152,874**	322,793
Amounts due from non-controlling interests	18	**196,572**	274,838
Available-for-sale financial assets	20	**—**	256,720
Restricted cash	19	**1,382,867**	3,076,314
Cash and cash equivalents	19	**2,290,138**	1,915,148
		44,024,244	35,684,908
Total assets		**60,904,508**	51,886,873

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
LIABILITIES			
Current liabilities			
Trade and other payables	27	**10,765,939**	8,796,429
Advanced proceeds received from customers		**14,802,354**	6,719,306
Amounts due to related parties, joint ventures and associated companies	28	**4,152,014**	2,278,611
Amounts due to non-controlling interests	18	**668,680**	554,479
Income tax payable		**1,120,994**	2,416,943
Borrowings	24	**9,148,654**	9,659,442
Provision for other liabilities and charges	29	**65,089**	65,797
		40,723,724	30,491,007
Net current assets		**3,300,520**	5,193,901
Total assets less current liabilities		**20,180,784**	21,395,866
Non-current liabilities			
Deferred government grants	23	**1,611,659**	1,450,553
Borrowings	24	**3,440,187**	5,488,507
Deferred income tax liabilities	26	**1,816,189**	1,729,230
Other payables	27	**50,000**	150,000
		6,918,035	8,818,290
Total liabilities		**47,641,759**	39,309,297
Net assets		**13,262,749**	12,577,576

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	**536,281**	536,281
Reserves		**11,906,236**	10,938,053
		12,442,517	11,474,334
Non-controlling interests	21	**820,232**	1,103,242
Total equity		**13,262,749**	12,577,576

On behalf of the directors

Wong Wun Ming	**Huang Lianchun**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Capital and reserves attributable to equity holders of the Company											
	Share capital RMB'000 (Note 22)	Merger reserve RMB'000 (Note (a))	Share premium RMB'000 (Note (b))	Revaluation surplus RMB'000 (Note (c))	Contributions from equity holders RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (e))	Other reserves RMB'000 (Note (f))	Translation reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2015	536,281	146,601	631,266	258,943	209,196	125,509	—	(26,869)	9,202,443	11,083,370	625,822	11,709,192
Comprehensive income												
Profit/(loss) for the year	—	—	—	—	—	—	—	—	379,042	379,042	(19,476)	359,566
Other comprehensive income												
— Currency translation differences	—	—	—	—	—	—	—	10,687	—	10,687	—	10,687
Total comprehensive income for the year	—	—	—	—	—	—	—	10,687	379,042	389,729	(19,476)	370,253
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	450,800	450,800
Change in ownership interest in a subsidiary without loss of control	—	—	—	—	—	—	1,235	—	—	1,235	73,165	74,400
	—	—	—	—	—	—	1,235	—	—	1,235	523,965	525,200
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(27,069)	(27,069)
Balance at 31 December 2015 (restated)	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,581,485	11,474,334	1,103,242	12,577,576
Balance at 31 December 2015												
As previously reported	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,228,537	11,121,386	1,103,242	12,224,628
Prior year adjustment (Note 3)	—	—	—	—	—	—	—	—	352,948	352,948	—	352,948
As restated	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,581,485	11,474,334	1,103,242	12,577,576
Comprehensive income												
Profit for the year	—	—	—	—	—	—	—	—	1,169,435	1,169,435	4,722	1,174,157
Other comprehensive income												
— Currency translation differences	—	—	—	—	—	—	—	7,132	—	7,132	—	7,132
Total comprehensive income for the year	—	—	—	—	—	—	—	7,132	1,169,435	1,176,567	4,722	1,181,289
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	72,729	72,729
Change in ownership interest in a subsidiary	—	—	—	—	—	—	(208,384)	—	—	(208,384)	(360,461)	(568,845)
	—	—	—	—	—	—	(208,384)	—	—	(208,384)	(287,732)	(496,116)
Balance at 31 December 2016	536,281	146,601	631,266	258,943	209,196	125,509	(207,149)	(9,050)	10,750,920	12,442,517	820,232	13,262,749

Notes:

(a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing of the Company on the Stock Exchange. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.

(b) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(c) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when owner-occupied properties became investment properties which are being carried at fair value.

(d) Pursuant to the Deed of Settlement dated on 29 September 2008, the controlling shareholders agreed to waive the amounts due by the Group totalling approximately HK$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.

(e) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.

(f) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the changes in ownership in the subsidiaries being acquired or disposed from non-controlling interests without change of control.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Operating activities			
Profit before income tax for the year		**824,647**	742,883
Adjustments for:			
Interest income		**(125,083)**	(72,214)
Depreciation		**82,375**	71,080
Share of results of associated companies		**(55,952)**	(39,787)
Share of results of joint ventures		**(488,961)**	1,142
Amortisation of land use rights		**6,515**	6,618
Fair value gains on investment properties		**(295,157)**	(537,243)
Fair value gains on derivative financial instruments		**—**	(2,432)
Additional provision for impairment of receivables		**1**	7,024
Net loss from disposal of property, plant and equipment		**716**	—
Impairment of goodwill		**—**	3
Net exchange loss on cash and borrowings		**265,215**	208,632
Net gain from disposal of equity interests in subsidiaries		**—**	(57,855)
Net gain from acquisition of additional interest in joint venture which become a wholly owned subsidiary		**—**	(7,744)
Additional provision for delay in delivering properties		**27,131**	—
Operating profit before working capital changes		**241,447**	320,107
Properties under development and completed properties held for sale		**(3,524,605)**	(3,033,074)
Land use rights		**(2,601,861)**	(2,484,405)
Restricted cash relating to operating activities		**(7,790)**	5,690
Inventories		**3,348**	—
Trade and other receivables and prepayments		**(1,329,115)**	(345,846)
Trade and other payables		**2,408,441**	1,080,182
Advanced proceeds received from customers		**8,083,048**	3,624,652
Provision for delay in delivering properties		**(27,839)**	—
Net cash generated from/(used in) operations		**3,245,074**	(832,694)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Interest received		**125,083**	71,759
Interest paid		**(1,030,598)**	(1,076,102)
Income tax paid		**(1,157,195)**	(158,523)
Net cash generated from/(used in) operating activities		**1,182,364**	(1,995,560)
Investing activities			
Additions of property, plant and equipment and investment properties		**(309,304)**	(402,357)
Net cash advances received from/(made to) related parties		**4,895**	(2,500)
Net cash advances received from/(made to) other parties		**43,061**	(1,068,220)
Net cash advances made to group companies of non-controlling interests		**(1,228,976)**	—
Repayment from associated companies		**165,489**	230,327
Loans to joint ventures		**(18,444)**	(38,186)
Proceeds from sale of property, plant and equipment and investment properties		**40,440**	86,648
Additions of available-for-sale financial assets	20	**(6,150)**	(966,720)
Sales proceeds from disposal of available-for-sale financial assets	20	**256,720**	827,000
Acquisition of subsidiaries, net of cash acquired	40	**(96,309)**	8,894
Payments for acquisition of additional interest in a subsidiary	37(a)	**(568,845)**	—
Capital injection to an associated company		**—**	(62,637)
Disposal of subsidiaries, net of cash disposed		**—**	1,106,327
Capital injection to a joint venture		**(8,161)**	(1)
Advance from disposal of 51% of equity interest in a subsidiary		**—**	480,000
Net cash (used in)/generated from investing activities		**(1,725,584)**	198,575

	Note	2016 RMB'000	2015 RMB'000 (Restated)
		Year ended 31 December	
Financing activities			
Drawdown of borrowings		**3,605,996**	8,164,653
Repayments of borrowings		**(5,427,304)**	(5,645,403)
Net cash advances received from/(repaid to) non-controlling interests		**192,467**	(63,272)
Net cash advances repaid to related parties		**(22,366)**	(67,710)
Net cash advances received from/(repaid to) a joint venture		**1,366,196**	(34,940)
Net cash advances received from associated companies		**529,573**	149,744
Net cash advances (repaid to)/received from other parties		**(877,614)**	851,265
Net cash advances repaid to shareholder of associated companies		**(151,364)**	—
Decrease/(increase) in restricted cash relating to financing activities		**1,701,237**	(617,764)
Capital contribution from non-controlling interests		**—**	98,000
Cash received in connection with the disposal of partial interest in a subsidiary		**—**	74,400
Net cash generated from financing activities		**916,821**	2,908,973
Effect of foreign exchange rate changes on cash		**1,389**	71,018
Net increase in cash and cash equivalents		**374,990**	1,183,006
Cash and cash equivalents at beginning of the year		**1,915,148**	732,142
Cash and cash equivalents at end of the year	19	**2,290,138**	1,915,148

1 GENERAL INFORMATION

Mingfa Group (International) Company Limited (the "Company") was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is office of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1–1205, Cayman Islands.

The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

The Company's shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2009. Its immediate and ultimate holding company is Galaxy Earnest Limited incorporated in the British Virgin Islands.

The consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Adoption of new/revised HKFRSs — effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) *Adoption of new/revised HKFRSs — effective 1 January 2016 (continued)*

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Adoption of new/revised HKFRSs — effective 1 January 2016 (continued)

Amendments to HKFRS 11- Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendment are applied prospectively.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Principles requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

The adoption of the amendments has no significant impact on these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[3]
Amendments to HKAS 19	Employee Benefits[3]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for business combinations and acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
6 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCL. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Impact on adoption

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

(i) Classification and measurement of financial instruments (continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at FVTOCI; or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

(i) Classification and measurement of financial instruments (continued)

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTOCI (equity instruments)	Equity investments at FVTOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

(i) Classification and measurement of financial instruments (continued)

As of 1 January 2018, certain unquoted equity investments will be reclassified from available-for-sale financial assets at fair value to FVTOCI. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group will designate such unquoted equity instrument at the date of initial application as measured at FVTOCI. The directors consider that there will be no opening adjustment is required because these investments will be stated at fair value as at 31 December 2017.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9
Available-for-sale financial assets	Available-for-sale (at fair value)	FVTOCI (equity instrument)
Amounts due from related parties, joint ventures and associated companies	Loans and receivables	Amortised cost
Amounts due from non-controlling interests	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Restricted cash	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 will change the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for financial assets at amortised costs, earlier than HKAS 39. Cash and cash equivalents will be subject to ECLs model but the impairment is assessed to be immaterial.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group will elect to measure loss allowances for trade receivables using HKFRS 9 simplified approach and will calculate ECLs based on lifetime ECLs. The Group will establish a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs will be based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVTOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs (continued)

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(I) Impairment of trade receivables

As mentioned above, the Group will apply the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(II) Impairment of other receivables, amounts due from related parties, joint ventures, associated companies and non-controlling interests

For other financial assets carried at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of other financial asset at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

(iii) Hedge accounting

Hedge accounting under HKFRS 9 will have no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group will apply the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules will therefore not be reflected in the statement of financial position as at 31 December 2017, but will be recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 will not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments will be made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 15 — Revenue from Contracts with Customers (continued)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Impact on adoption

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group will elect to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15, if any, as an adjustment to the opening balance of equity as at 1 January 2018. Therefore, comparative information will not be restated and will continue to be reported under HKAS 11 and HKAS 18. As allowed by practical expedient in HKFRS 15, the Group will apply the new requirements only to contracts that were not completed before 1 January 2018.

Management of the Company reviewed the business model of the Group and contracts with customers and assessed that except for the reclassification of receipt in advances from customer under other payables and deposits received in respect of pre-sale of properties as contract liabilities as at 1 January 2018 due to new terminology used under HKFRS 15, and cost to obtain contracts will be capitalised as contract assets and recognised as expense in the periods in which the related revenue is recognised whereas previously such costs were recognised as prepaid expenses, the initial application of HKFRS 15 will not have significant impact on the Group. Management of the Company also consider that the application of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised for contracts with customers from:

(i) property development;

(ii) hotel operation; and

(iii) property management.

The Group assessed that there will be no significant effect from adoption of HKFRS 15 on the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2018.

Further details of the nature and effect of the changes on accounting policies are set out below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

(i) Timing of revenue recognition

Before adoption of the new standard, revenue arising from sales of properties is generally recognised as revenue when the significant risks and rewards of ownership of the properties are transferred to the buyers, whereas revenue from provision of services is recognised when the relevant services are provided to the customers.

Under HKFRS 15, revenue will be recognised when the customer obtains control of the promised goods or service in the contract. This may be at a point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods 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 that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three conditions, then under HKFRS 15 the entity recognises revenue from sales of that goods or service at a point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 will not have significant impact on when the Group recognises revenue from provision of services, including services in relation to hotel operation and other ancillary services, property investment and management and security services.

The Group has assessed that under the sale and purchase agreement of properties with customer, there will be only one performance obligation.

In current and prior reporting periods, the Group recognised sales of properties when the respective properties have been completed and delivered to buyers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

(i) Timing of revenue recognition (continued)

Under HKFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of contract and laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

— Provides all the benefits received and consumed simultaneously by the customer; or

— Creates and enhances an asset that the customer controls as the Group performs; or

— Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group assesses that there will be no enforceable right to payment from the customers for performance completed to date and the adoption of HKFRS 15 will not have an impact on the timing of revenue recognition.

(ii) Costs incurred to obtain a contract

The Group has incurred the sales commission to sales agent associated with obtaining contract. These selling and marketing costs are charged to profit or loss when the revenue from the property sale is recognised. The Group will apply the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year. The Group assesses that the adoption of HKFRS 15 will have no significant impact on the opening retained earnings as at 1 January 2018.

(iii) Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. Receipts in advance that are classified under "Advanced proceeds received from customers" before adopting the new standard will be reclassified to contract liabilities as at 1 January 2018. The Group assesses that the adoption application of HKFRS 15 will have no significant impact on the opening retained earnings as at 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Venture

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met — instead of at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases "and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Impact on adoption

Currently the Group classifies leases into operating leases, and accounts for the lease arrangement according to the nature of the lease. The Group enters into leases as the lessee and lessor.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 16 — Leases (continued)

Impact on adoption (continued)

HKFRS 16 is effective for annual period beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided whether it will choose to take advantage of this practical expedient, and which transition approach to be taken.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKAS 19 – Employee Benefits

The amendments clarify that (a) on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and (b) the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKFRS 3 — Definition of Business

The amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Materials

The amendments to HKAS 1 and HKAS 8 provide a new definition of material. The definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Except for the possible impacts of adoption of HKFRS 9, 15 and 16 as discussed above, the Group does not expect the adoption of the pronouncement will result in significant impact on the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

(i) Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (or to the controlling shareholders under merger accounting). They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

It means the amounts previously recognised in other comprehensive income are classified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment test is performed according to Note 2(j).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(ii) Separate financial statements (continued)

Impairment testing of the investments in subsidiaries is also required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(k)), net of any accumulated impairment losses.

If the ownership interest in associated companies is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated companies' in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements: joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

- ***Joint ventures***

  A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

  Investment in a joint venture is accounted for using the equity method of accounting. The interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The consolidated statement of financial position includes the Group's share of the net assets of the joint ventures and goodwill identified on acquisition (see Note 2(k)) net of any accumulated impairment losses.

- ***Joint operations***

  A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

  In respect of the Group's interest in a joint operation, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of any assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other operators in relation to the joint operation; any income from the sale or use of its share of the output of the joint operation, together with its share of any expense incurred by the joint operation; and any expense that it has incurred in respect of its interest in the joint operation.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements is presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the end of reporting period;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Machinery	5–20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5–15 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated statement of profit or loss.

(h) Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to other non-current assets.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated statement of profit or loss.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as income approach or discounted cash flow projections. These valuations are performed at the end of reporting period by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

Changes in fair values of investment properties are recognised in the consolidated statement of profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as other comprehensive income and recorded in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised as profit or loss in the consolidated statement of profit or loss. On subsequent disposal of the investment property, the revaluation surplus included in equity is transferred to retained earnings directly and not made through profit or loss.

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

Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of profit or loss within net gains or losses from fair value adjustments on investment properties.

(j) Impairment of investments in subsidiaries, associated companies, joint ventures, joint operations and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Goodwill

Goodwill arises on the acquisition of subsidiaries, associated companies and joint ventures and represents the excess of the consideration transferred, the amount of the non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(l) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(m) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date — the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to the consolidated statement of profit or loss.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the end of reporting period (or greater than normal operating cycle of the business if longer) which are classified as non-current assets.

(q) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Interest on available-for-sale securities calculated using the effective interest method is recognised in consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established. Fair value adjustments on available-for-sale financial assets are recognised as other comprehensive income and accumulated within equity.

(r) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Held-to-maturity investments (continued)

Held-to-maturity investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of held-to-maturity investments is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of contractual agreements. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months after the end of reporting period which are classified as current assets.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, and are grouped with bank overdrafts in the consolidated statement of cash flows. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities. Restricted cash is excluded from cash and cash equivalents.

(t) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries/associated companies/joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(w) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the consolidated statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

(y) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenues are recognised as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(ii) Rental income

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms. Guaranteed rental income exceeding the actual amount is recognised when the collectability is reasonably assured.

(iii) Hotel operating income

Hotel operating income is recognised when the services are rendered.

(iv) Property construction income

Property construction income is recognised based on the percentage of completion method, by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

(v) Sales of construction materials

Revenue from sales of construction materials is recognised when the risks and rewards of construction materials are transferred to the purchasers.

(vi) Decoration services

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition (continued)

(vii) Interest income

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(viii) Dividend income

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

(aa) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged as expense to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated statement of profit or loss. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

(iii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets.

(ac) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3 PRIOR YEAR ADJUSTMENTS

Sales of use rights of 8 properties to the ultimate controlling shareholders and their close family members

The Group entered into certain agreements to sell the use rights (i.e. right to use without transfer of ownership title) of 8 units of properties developed by a subsidiary to the Company's ultimate controlling shareholders and their close family members at an aggregate consideration of RMB189,000,000, value-added tax inclusive. The carrying amounts of these units of properties at the total amount of RMB46,000,000, among which RMB42,500,000 were included in "completed properties held for sale" and RMB3,500,000 were included in "land use rights" in current assets as at 31 December 2015. Deposits of RMB96,880,000 were received in advance in 2014 from these buyers, while the remaining consideration of RMB92,120,000 were received on 31 December 2015. As at 31 December 2015, these cash receipts at the total amount of RMB189,000,000 including related value-added tax payable of RMB9,000,000 were recorded in "trade and other payables".

Despite the use right of these units of properties have been delivered to the buyers on 27 December 2015 and the respective buyers have taken possession of the subject 8 units of properties, the Group did not recognise these sales in the consolidated financial statements for the year ended 31 December 2015.

Subsequent to the date of annual report for the year ended 31 December 2015, the Group has obtained the legal advice from qualified PRC lawyers confirming the relevant contracts were duly signed and executed and as such, the Group considered that the transactions have completed in 2015. To rectify the situation, the Group has taken up the following prior year adjustments:

	Increase/(decrease) RMB'000
Revenue	180,000
Cost of sales	46,000
Income tax expense	53,492
Land use rights — current	(3,500)
Completed properties held for sale	(42,500)
Trade and other payables	(180,000)
Income tax payable	53,492

3 PRIOR YEAR ADJUSTMENTS (continued)

Sales of use rights of 42 properties to a subcontractor

On 18 November 2015, the Group entered into certain agreements (the "November 2015 Agreements") with a subcontractor (the "Subcontractor") in which the Subcontractor agrees to settle, on behalf of the Group, certain of the Group's outstanding payables to two main contractors (the "Main Contractors") amounted to RMB644,000,000, value-added tax inclusive in total. In return, the Group agreed to deliver to the Subcontractor the use rights of 42 units of properties developed by one of the Group's subsidiaries. Tripartite payable settlement agreements were entered among the Group, main contractors and sub-contractors.

Pursuant to the November 2015 Agreements, the Subcontractor designated two individuals to take over these 42 units of properties.

The carrying amounts of these 42 units of properties at the total amount of RMB137,305,000, among which RMB126,581,000 were included in "completed properties held for sale" and RMB10,724,000 were included in "land use rights" in current assets as at 31 December 2015. Despite the use right of these 42 units of properties have been delivered at the end of December 2015, the Group did not recognise these sales in the consolidated financial statements for the year ended 31 December 2015.

Subsequent to the date of annual report for the year ended 31 December 2015, the Group has obtained the legal advice from qualified PRC lawyers confirming the relevant contracts were duly signed and executed. As such, the Group considered that the transactions have completed and had duly performed its obligations under the agreements with the main contractors and the sub-contractor. To rectify the situation, the Group has taken up the following prior year adjustments:

	Increase/(decrease) RMB'000
Revenue	613,333
Cost of sales	137,305
Income tax expense	203,588
Land use rights — current	(10,724)
Completed properties held for sale	(126,581)
Trade and other payables	(613,333)
Income tax payable	203,588

3 PRIOR YEAR ADJUSTMENTS (continued)

Based on the above, the revenue, cost of sales, current PRC enterprise income tax, current land appreciation tax, land use rights, completed properties held for sale, trade and other payables and income tax payable as at 31 December 2015 have been restated accordingly. Details of the restatement are disclosed below.

Consolidated statement of profit or loss for the year ended 31 December 2015:

	As previously reported	Adjustments	As restated
	RMB'000	RMB'000	RMB'000
Revenues	2,246,332	793,333	3,039,665
Cost of sales	(1,970,069)	(183,305)	(2,153,374)
Gross profit	276,263	610,028	886,291
Operating profit	21,996	610,028	632,024
Profit before income tax	132,855	610,028	742,883
Income tax expense	(126,237)	(257,080)	(383,317)
Profit for the year			
— attributable to equity holders of the Company	26,094	352,948	379,042
Total comprehensive income for the year			
— attributable to equity holders of the Company	36,781	352,948	389,729

3 PRIOR YEAR ADJUSTMENTS (continued)

Consolidated statement of financial position as at 31 December 2015:

	As previously reported	**Adjustments**	**As restated**
	RMB'000	RMB'000	RMB'000
Land use rights — current	10,399,374	(14,224)	10,385,150
Completed properties held for sale	6,639,110	(169,081)	6,470,029
Total assets	52,070,178	(183,305)	51,886,873
Trade and other payables	(9,589,762)	793,333	(8,796,429)
Income tax payable	(2,159,863)	(257,080)	(2,416,943)
Total current liabilities	(31,027,260)	536,253	(30,491,007)
Total assets less current liabilities	21,042,918	352,948	21,395,866
Total liabilities	(39,845,550)	536,253	(39,309,297)
Net assets	12,224,628	352,948	12,577,576
Retained earnings	(9,228,537)	(352,948)	(9,581,485)

Impact on basic and diluted earnings per share:

	Year ended 31 December 2015
	RMB cents
Basic and diluted earnings per share, as previously reported	0.4
Adjustments	5.8
Basic and diluted earnings per share, as restated	6.2

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk including foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar ("HKD") and United States dollar ("USD").

The Company and most of its subsidiaries' functional currency is RMB, so the bank balances, certain balances with related parties and certain borrowings denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated non-derivative monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
USD	**10,906**	432,739	**3,613,857**	4,314,948
HKD	**298,020**	267,161	**622,994**	1,509,661

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table indicates the approximate change in the Group's profit after income tax and retained earnings and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

	Increase in foreign exchange rates	(Decrease)/ increase in profit after income tax
		RMB'000
As at 31 December 2016		
USD	**5%**	**(180,030)**
HKD	**5%**	**(14,618)**
As at 31 December 2015		
USD	5%	199,239
HKD	5%	49,881

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2015.

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 19), the advances to certain other parties (Note 16), an amount due from a joint venture (Note 17) and amounts due from non-controlling interests (Note 18), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates because the interest rates are not expected to change significantly.

As at 31 December 2016, if interest rates on borrowings at floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB7,535,000 (2015: RMB6,520,000) lower/higher.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and amounts due from related parties, joint ventures, associated companies and non-controlling interests included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash transactions are limited to high-credit-quality financial institutions. Management does not expect any losses from non-performance of these counterparties.

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitor these deposits and advances to ensure actions taken to recover these balances in the case of any risk of default. Normally, the Group does not obtain collateral from customers.

4 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
As at 31 December 2016					
Borrowings	**9,148,654**	**2,316,920**	**804,622**	**318,645**	**12,588,841**
Interest payments on borrowings (Note)	**720,833**	**136,057**	**120,579**	**27,444**	**1,004,913**
Trade and other payables	**10,765,939**	**50,000**	**—**	**—**	**10,815,939**
Amounts due to related parties	**4,152,014**	**—**	**—**	**—**	**4,152,014**
Amounts due to non-controlling interests	**668,680**	**—**	**—**	**—**	**668,680**
Financial guarantees	**5,093,119**	**—**	**—**	**—**	**5,093,119**
	30,549,239	**2,502,977**	**925,201**	**346,089**	**34,323,506**
As at 31 December 2015					
Borrowings	9,621,788	2,536,552	2,087,319	877,111	15,122,770
Interest payments on borrowings (Note)	832,053	288,181	319,628	144,412	1,584,274
Trade and other payables	8,796,429	150,000	—	—	8,946,429
Amounts due to related parties	2,278,611	—	—	—	2,278,611
Amounts due to non-controlling interests	554,479	—	—	—	554,479
Financial guarantees	4,245,057	—	—	—	4,245,057
	26,328,417	2,974,733	2,406,947	1,021,523	32,731,620

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2016 and 2015 respectively without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Borrowings	**12,588,841**	15,147,949
Less: Cash and cash equivalents and restricted cash	**(3,673,005)**	(4,991,462)
Net debt	**8,915,836**	10,156,487
Total equity	**13,262,749**	12,577,576
Total capital	**22,178,585**	22,734,063
Gearing ratio	**40.2%**	44.7%

(e) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 **RMB'000**	**Level 2** **RMB'000**	**Level 3** **RMB'000**	**Total** **RMB'000**
Available-for-sale financial assets (Note 20)	**—**	**—**	**26,150**	**26,150**

4 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	276,720	276,720

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

4 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

(iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2016 and 2015:

	Available-for-sale financial assets	
	2016	2015
	RMB'000	RMB'000
Opening balance	**276,720**	137,000
Additions	**6,150**	966,720
Disposals	**(256,720)**	(827,000)
Closing balance	**26,150**	276,720
Total gains or losses for the year included in profit or loss for available-for-sale financial assets held at the end of the year	**—**	—

	Derivative financial instruments
	2015
	RMB'000
Opening balance	2,432
Gains recognised in profit or loss	(2,432)
Closing balance	—
Total gains for the year included in profit or loss for derivative financial liabilities held at the end of the year	(2,432)

4 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Assets	As at 31 December 2016 RMB'000	2015 RMB'000
Loans and receivables		
Trade and other receivables	**3,474,604**	1,776,237
Amounts due from related parties, joint ventures and associated companies	**417,128**	569,068
Amounts due from non-controlling interests	**196,572**	274,838
Restricted cash	**1,382,867**	3,076,314
Cash and cash equivalents	**2,290,138**	1,915,148
	7,761,309	7,611,605
Available-for-sale financial assets	**26,150**	276,720
Total	**7,787,459**	7,888,325

Liabilities	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Financial liabilities at amortised cost		
Borrowings	**12,588,841**	15,147,949
Trade and other payables (excluding other taxes payable)	**10,672,683**	8,606,560
Amounts due to related parties	**4,152,014**	2,278,611
Amounts due to non-controlling interests	**668,680**	554,479
Total	**28,082,218**	26,587,599

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax of its property projects based on management's best estimates according to its understanding of the tax rules and latest practice of local tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.

(d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions are disclosed in Note 8.

(e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Provision for delay in delivering properties

The Group assesses the obligation for delay in delivering properties brought against the Group by customers and charged the amounts to the consolidated statement of profit or loss. The provision has been estimated according to the relevant terms in contract, by references to the results of rulings by the local court on the similar cases and independent legal advices from lawyers. The assessment requires the use of judgement and estimates.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

As at 31 December 2015, the subscription period of derivative financial instruments of warrants expired.

6 REVENUES AND SEGMENT INFORMATION

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

(i) the property development segment engages in real estate development, and is further segregated into commercial and residential;

(ii) the hotel segment engages in hotel operation;

(iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential, hotel and commercial properties;

(iv) the property construction segment engages in construction operation and was inactive during the year.

Other operating segments mainly include investment holding, manufacture and sale of furniture, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.

6 REVENUES AND SEGMENT INFORMATION (continued)

The Group's revenue from external customers is derived solely from its operations in the PRC, and no significant non-current assets of the Group are located outside the PRC.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or non-controlling interests relating to respective segments. They exclude deferred income tax assets, prepaid income taxes and available-for-sale financial assets.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, income tax payable and derivative financial instruments.

(a) Segment information

The segment results and other segment items for the year ended 31 December 2016 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	286,008	4,385,631	189,244	231,767	—	1,121	—	5,093,771
Inter-segment revenues	—	—	(4,075)	—	—	—	—	(4,075)
Revenues	286,008	4,385,631	185,169	231,767	—	1,121	—	5,089,696
Operating profit/(loss)	5,416	120,651	(21,886)	352,980	—	(302,510)	—	154,651
Finance income — net								125,083
Share of results of associated companies	(132)	625	—	56,182	—	(723)	—	55,952
Share of results of joint ventures	488,961	—	—	—	—	—	—	488,961
Profit before income tax								824,647
Income tax credit								349,510
Profit for the year								1,174,157
Other segment information								
Capital and property development expenditure	565,793	5,379,164	418,784	100,319	—	15,769	—	6,479,829
Depreciation	7,319	36,557	36,301	2,071	—	127	—	82,375
Amortisation of land use rights as expenses	—	6,439	—	—	—	76	—	6,515
Fair value gains on investment properties	—	—	—	295,157	—	—	—	295,157

6 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment assets and liabilities as at 31 December 2016 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	12,484,156	45,801,700	2,687,937	12,777,647	—	11,542,828	(28,597,654)	56,696,614
Associated companies	148,241	46,038	—	973,353	—	155,595	—	1,323,227
Joint ventures	1,948,223	—	—	—	—	—	—	1,948,223
	14,580,620	45,847,738	2,687,937	13,751,000	—	11,698,423	(28,597,654)	59,968,064
Unallocated:								
Deferred income tax assets								304,823
Prepaid income taxes								605,471
Available-for-sale financial assets								26,150
Total assets								60,904,508
Segment liabilities	11,765,616	25,213,483	926,543	7,915,158	—	14,892,589	(28,597,654)	32,115,735
Unallocated:								
Deferred income tax liabilities								1,816,189
Borrowings								12,588,841
Income tax payable								1,120,994
Total liabilities								47,641,759

6 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment results and other segment items for the year ended 31 December 2015 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000 (Restated)	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000 (Restated)
Total segment revenues	229,435	2,018,056	157,853	262,337	374,732	—	—	3,042,413
Inter-segment revenues	—	—	(2,748)	—	—	—	—	(2,748)
Revenues	229,435	2,018,056	155,105	262,337	374,732	—	—	3,039,665
Operating profit/(loss)	18,307	292,930	(41,028)	614,972	13,082	(266,239)	—	632,024
Finance income — net								72,214
Share of results of associated companies	(4,135)	(2,624)	—	46,546	—	—	—	39,787
Share of results of joint ventures	(270)	(871)	—	—	—	(1)	—	(1,142)
Profit before income tax								742,883
Income tax expense								(383,317)
Profit for the year								359,566
Other segment information								
Capital and property development expenditure	2,046,489	4,984,124	17,339	350,722	—	—	—	7,398,674
Depreciation	15,099	19,912	33,015	2,119	—	935	—	71,080
Amortisation of land use rights as expenses	3,115	3,503	—	—	—	—	—	6,618
Fair value gains on investment properties	—	—	—	537,243	—	—	—	537,243
Fair value gains on derivative financial instruments	—	—	—	—	—	2,432	—	2,432
Impairment of goodwill recognised as expenses	—	3	—	—	—	—	—	3

6 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment assets and liabilities as at 31 December 2015 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000 (Restated)	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000 (Restated)
Segment assets	16,350,782	43,615,765	2,206,109	9,569,589	874,132	9,733,522	(34,075,164)	48,274,735
Associated companies	262,485	49,901	—	959,377	—	—	—	1,271,763
Joint ventures	1,451,101	—	—	—	—	—	—	1,451,101
	18,064,368	43,665,666	2,206,109	10,528,966	874,132	9,733,522	(34,075,164)	50,997,599
Unallocated:								
Deferred income tax assets								418,335
Prepaid income taxes								194,219
Available-for-sale financial assets								276,720
Total assets								51,886,873
Segment liabilities	10,136,261	30,335,083	271,112	603,958	843,618	11,900,307	(34,075,164)	20,015,175
Unallocated:								
Deferred income tax liabilities								1,729,230
Borrowings								15,147,949
Income tax payable								2,416,943
Total liabilities								39,309,297

6 REVENUES AND SEGMENT INFORMATION (continued)

(b) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Sale of properties		
— commercial	**286,008**	229,435
— residential	**4,385,631**	2,018,056
	4,671,639	2,247,491
Hotel operating income	**185,169**	155,105
Rental income		
— from investment properties	**156,274**	214,216
— others	**30,764**	8,865
Property management fee income	**44,729**	39,256
Property construction income	**—**	374,732
Miscellaneous income	**1,121**	—
	5,089,696	3,039,665

7 PROPERTY, PLANT AND EQUIPMENT

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2016	533,051	876,134	11,905	86,284	110,456	46,071	1,663,901
Acquisition of subsidiaries (Note 40)	—	—	5,980	86	395	116,388	122,849
Additions	179,472	21,234	364	8,034	14,213	256	223,573
Transfer upon completion	(273,869)	273,869	—	—	—	—	—
Disposals	—	(96)	(2)	(305)	(5,704)	(852)	(6,959)
Transfer from investment properties (Note 8)	—	140,792	—	—	—	—	140,792
As at 31 December 2016	438,654	1,311,933	18,247	94,099	119,360	161,863	2,144,156
Accumulated depreciation							
As at 1 January 2016	—	(141,886)	(9,786)	(52,803)	(75,276)	(2,724)	(282,475)
Charge for the year	—	(51,549)	(1,450)	(9,098)	(11,049)	(9,229)	(82,375)
Disposals	—	—	2	250	4,691	—	4,943
As at 31 December 2016	—	(193,435)	(11,234)	(61,651)	(81,634)	(11,953)	(359,907)
Net book value							
As at 31 December 2016	438,654	1,118,498	7,013	32,448	37,726	149,910	1,784,249

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2015	784,308	626,367	11,447	72,770	98,416	99,639	1,692,947
Acquisition of subsidiaries	—	—	—	199	247	—	446
Additions	—	8,236	458	14,995	14,502	—	38,191
Reclassify to completed properties held for sale	(9,726)	—	—	—	—	—	(9,726)
Transfer upon completion	(241,531)	241,531	—	—	—	—	—
Disposals	—	—	—	(1,421)	(2,152)	—	(3,573)
Disposal of subsidiaries	—	—	—	(259)	(557)	(53,568)	(54,384)
As at 31 December 2015	533,051	876,134	11,905	86,284	110,456	46,071	1,663,901
Accumulated depreciation							
As at 1 January 2015	—	(97,880)	(8,741)	(41,779)	(69,045)	(461)	(217,906)
Charge for the year	—	(44,006)	(1,045)	(12,525)	(8,696)	(4,808)	(71,080)
Disposals	—	—	—	1,272	1,936	—	3,208
Disposal of subsidiaries	—	—	—	229	529	2,545	3,303
As at 31 December 2015	—	(141,886)	(9,786)	(52,803)	(75,276)	(2,724)	(282,475)
Net book value							
As at 31 December 2015	533,051	734,248	2,119	33,481	35,180	43,347	1,381,426

Depreciation of property, plant and equipment of RMB82,375,000 (2015: RMB71,080,000) has been charged to the consolidated statement of profit or loss.

As at 31 December 2016, certain buildings of RMB430,925,000 (2015: RMB544,225,000) were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2016 (2015: Nil).

8 INVESTMENT PROPERTIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**8,406,161**	7,393,525
Additions	**85,731**	350,721
Transfer from land use rights (Note 10)	**988**	57,381
Transfer from completed properties held for sale	**30,730**	142,413
Fair value gains	**295,157**	537,243
Disposals	**(39,140)**	(75,122)
Transfer to property, plant and equipment (Note 7)	**(140,792)**	—
Transfer to completed properties held for sale	**(470,000)**	—
Ending balance	**8,168,835**	8,406,161

The investment properties were revalued on an existing use basis at the end of each reporting period date by Cushman & Wakefield Limited ("C&W") (previously known as DTZ Debenham Tie Leung Limited ("DTZ")), an independent and professionally qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The estimated future development costs of investment properties under construction were deducted when arriving at the fair value of such properties which amounted to RMB760,000,000 as at 31 December 2016 (2015: RMB997,000,000).

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	**8,168,835**	8,406,161

As at 31 December 2016, investment properties of RMB2,610,500,000 (2015: RMB5,176,627,000) were pledged as collateral for the Group's borrowings (Note 24).

8 INVESTMENT PROPERTIES (continued)

Fair value hierarchy

Description	Fair value measurements at 31 December 2016 using Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	**—**	**—**	**7,408,835**
— Investment properties under development	**—**	**—**	**760,000**
Total	**—**	**—**	**8,168,835**

Description	Fair value measurements at 31 December 2015 using Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	7,409,161
— Investment properties under development	—	—	997,000
Total	—	—	8,406,161

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2016		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	**7,409,161**	**997,000**	**8,406,161**
Additions	**—**	**85,731**	**85,731**
Transfer from land use rights (Note 10)	**988**	**—**	**988**
Transfer from completed properties held for sale	**30,730**	**—**	**30,730**
Fair value gains	**147,888**	**147,269**	**295,157**
Disposals	**(39,140)**	**—**	**(39,140)**
Transfer to property, plant and equipment (Note 7)	**(140,792)**	**—**	**(140,792)**
Transfer to completed properties held for sale	**—**	**(470,000)**	**(470,000)**
Ending balance	**7,408,835**	**760,000**	**8,168,835**
Total gains for the year included in profit or loss under fair value gains on investment properties	**147,888**	**147,269**	**295,157**

	Year ended 31 December 2015		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,047,525	346,000	7,393,525
Additions	—	350,721	350,721
Transfer from land use rights (Note 10)	10,277	47,104	57,381
Transfer from completed properties held for sale	142,413	—	142,413
Fair value gains	284,068	253,175	537,243
Disposals	(75,122)	—	(75,122)
Ending balance	7,409,161	997,000	8,406,161
Total gains for the year included in profit or loss under fair value gains on investment properties	284,068	253,175	537,243

8 INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer, including:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

For completed investment properties, the valuation was determined using the income capitalisation approach which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

For investment properties under development, the valuation was based on a direct comparison model taking into account the following estimates (in addition to the inputs noted above):

Costs to complete	These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;
Completion dates	Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.

8 INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	**7,408,835**	Income capitalisation approach	Rental value	RMB24–610 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.00%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–8.50%	The higher the reversionary yield, the lower the fair value
Investment properties under development	**760,000**	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB526,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,800–9,100 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	15%–18% of property value	The higher the profit margin required, the lower the fair value

Description	Fair value at 31 December 2015 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	7,409,161	Income capitalisation approach	Rental value	RMB21–550 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.50%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–7.00%	The higher the reversionary yield, the lower the fair value
Investment properties under development	997,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB555,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,500–12,000 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	10%–20% of property value	The higher the profit margin required, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

9 PREPAYMENTS OR DEPOSITS FOR LAND USE RIGHTS

The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

As at 31 December 2016, no prepayment or deposits (2015: RMB268,690,000) were pledged as collateral for the Group's borrowings (Note 24).

10 LAND USE RIGHTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Opening balance	**10,541,077**	7,460,265
Additions	**3,061,954**	3,789,817
Acquisition of subsidiaries (Note 40)	**562,445**	212,337
Amortisation		
— capitalised in properties under development	**(327,492)**	(195,438)
— recognised as expenses	**(6,515)**	(6,618)
Transfer to cost of sales	**(481,942)**	(170,230)
Transfer to investment properties (Note 8)	**(988)**	(57,381)
Exchange differences	**17,814**	—
Disposal of subsidiaries	**—**	(491,675)
Ending balance	**13,366,353**	10,541,077
Land use rights		
— relating to property, plant and equipment under non-current assets	**189,722**	155,927
— relating to properties developed for sale under current assets	**13,176,631**	10,385,150
	13,366,353	10,541,077

Land use rights comprise cost of acquiring rights to use certain land, which are all located outside Hong Kong and primarily in mainland China for property development over fixed periods.

Amortisation of land use rights of RMB6,515,000 (2015: RMB6,618,000) has been charged to the general and administrative expenses.

As at 31 December 2016, land use rights of RMB4,282,450,000 (2015: RMB4,711,037,000) were pledged as collateral for the Group's borrowings (Note 24).

11 GOODWILL

Goodwill arising from acquisitions:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**7,169**	7,172
Impairment of goodwill recognised as expenses (Note)	**—**	(3)
Ending balance	**7,169**	7,169

Note: The goodwill is impaired when the underlying properties are sold or transferred to investment properties. The goodwill impairment, if any, was included in "General and administrative expenses" in the consolidated statement of profit or loss.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Property development	**7,169**	7,169

The recoverable amount of a CGUs is determined based on the higher of the fair value (less cost to sell) of the related properties or its value-in-use estimate.

12 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**8,893,517**	8,000,621
Interest capitalised	**2,578,287**	2,309,420
	11,471,804	10,310,041

12 PROPERTIES UNDER DEVELOPMENT (continued)

The properties under development are all located outside Hong Kong and primarily in mainland China.

As at 31 December 2016, properties under development of RMB2,824,859,000 (2015: RMB1,836,283,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 8.19% for the year ended 31 December 2016 (2015: 6.37%).

As at 31 December 2016, properties under development amounting to approximately RMB9,816,323,000 were not expected to be realised within twelve months from the end of the reporting period.

13 INVESTMENTS IN ASSOCIATED COMPANIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**1,271,763**	1,158,636
Additions	**—**	62,637
Share of results — Profit for the year	**55,952**	39,787
Share of other comprehensive income		
— Exchange differences	**(4,488)**	10,703
Ending balance	**1,323,227**	1,271,763

Nature of investments in associated companies in 2016 and 2015

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights Limited ("Eagle Rights") 鈞濠有限公司	Japan	33.33%	Equity accounting
Changchun Shimao Mingfa Real Estate Company Limited ("Shimao Mingfa") 長春世茂明發房地產開發有限公司	PRC	37.50%	Equity accounting
Nanjing Software Valley Mingfa Communication Technology Development Co., Ltd ("Mingfa Tongxin") 南京軟件谷明發通訊科技發展有限公司	PRC	49%	Equity accounting
Nanjing Software Valley Information Development Company Limited ("Software Valley Mingfa") 南京軟件谷明發信息科技發展有限公司	PRC	48%	Equity accounting
Speedy Gains Limited ("Speedy Gains")#	Hong Kong	20%	Equity accounting

20% equity interest was disposed by the Group on 20 December 2016.

13 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

As at 31 December 2016 and 2015, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Mingfa Tongxin	**400,000**	400,000
Software Valley Mingfa	**800,000**	—
Speedy Gains	**—**	171,911
Total	**1,200,000**	571,911

Summarised financial information for the associated companies

Set out below are the summarised financial information for associated companies which are accounted for using the equity method.

Summarised statement of financial position

	Eagle Rights As at 31 December		Shimao Mingfa As at 31 December		Mingfa Tongxin As at 31 December		Software Valley Mingfa As at 31 December		Speedy Gains As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets										
Current assets	**113,056**	116,646	**555,189**	557,258	**1,324,637**	868,403	**917,097**	973,528	**—**	124,167
Non-current assets	**87,193**	93,001	**134**	183	**491**	435	**2,787,352**	2,716,435	**—**	1,533,137
	200,249	209,647	**555,323**	557,441	**1,325,128**	868,838	**3,704,449**	3,689,963	**—**	1,657,304
Liabilities										
Current liabilities	**(62,121)**	(59,928)	**(297,990)**	(299,758)	**(12,228)**	(61,462)	**(492,239)**	(514,430)	**—**	(861,078)
Non-current liabilities	**—**	—	**—**	—	**(1,075,000)**	(568,000)	**(1,283,302)**	(1,288,302)	**—**	(796,226)
	(62,121)	(59,928)	**(297,990)**	(299,758)	**(1,087,228)**	(629,462)	**(1,775,541)**	(1,802,732)	**—**	(1,657,304)
Net assets	**138,128**	149,719	**257,333**	257,683	**237,900**	239,376	**1,928,908**	1,887,231	**—**	—

13 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised statement of profit or loss and other comprehensive income

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa		Speedy Gains	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Period ended 20 December	Year ended 31 December
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**22,739**	23,454	**—**	—	**—**	—	**147,425**	40,000	**—**	—
Expenses	**(20,864)**	(31,326)	**(350)**	(1,032)	**(1,476)**	(7,648)	**(105,748)**	(25,499)	**—**	—
Profit/(loss) after tax	**1,875**	(7,872)	**(350)**	(1,032)	**(1,476)**	(7,648)	**41,677**	14,501	**—**	—
Other comprehensive income — Exchange differences	**(13,466)**	32,111	**—**	—	**—**	—	**—**	—	**—**	—
Total comprehensive income	**(11,591)**	24,239	**(350)**	(1,032)	**(1,476)**	(7,648)	**41,677**	14,501	**—**	—

The information above reflects the amounts presented in the financial statements of the associated companies, adjusted for differences in accounting policies between the Group and the associated companies, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associated companies:

	Eagle Rights As at 31 December		Shimao Mingfa As at 31 December		Mingfa Tongxin As at 31 December		Software Valley Mingfa As at 31 December		Others As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening net assets	**149,719**	125,480	**257,683**	258,715	**239,376**	119,193	**1,887,231**	1,901,732	**—**	—
Addition	**—**	—	**—**	—	**—**	127,831	**—**	—	**—**	—
(Loss)/profit for the year	**1,875**	(7,872)	**(350)**	(1,032)	**(1,476)**	(7,648)	**41,677**	(14,501)	**—**	—
Exchange differences	**(13,466)**	32,111	**—**	—	**—**	—	**—**	—	**—**	—
Closing net assets	**138,128**	149,719	**257,333**	257,683	**237,900**	239,376	**1,928,908**	1,887,231	**—**	—
% of interest held	**33.33%**	33.33%	**37.50%**	37.50%	**49%**	49%	**48%**	48%	**20%**	20%
Group's interests in associated companies	**46,039**	49,906	**96,500**	96,631	**116,571**	117,294	**925,876**	905,871	**—**	—
Share of profit on profit guarantee agreement (##)	**—**	—	**—**	—	**—**	—	**89,681**	53,501	**—**	—
Goodwill	**—**	—	**48,560**	48,560	**—**	—	**—**	—	**—**	—
Carrying amount	**46,039**	49,906	**145,060**	145,191	**116,571**	117,294	**1,015,557**	959,372	**—**	—

The amount represents the difference between the Group's share of the associated company's profit based on its percentage of shareholding in the associated company and the actual share of the associated company's profit under a profit guarantee agreement entered into between the Group and the shareholder of the associated company.

Refer to this profit guarantee agreement, fixed profit is guaranteed to the Group irrespective of profit or loss of the associated company.

14 JOINT ARRANGEMENTS

(a) Joint ventures

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**1,451,101**	262,017
Capital injection to a joint venture (Note (i))	**8,161**	1
Share of results — Profit/(loss) for the year	**488,961**	(1,142)
Disposal of subsidiaries which become joint ventures	**—**	1,451,101
Acquisition of additional equity interests in joint ventures which become subsidiaries (Note (ii))	**—**	(260,876)
Ending balance	**1,948,223**	1,451,101

Notes:

(i) In 2015, the Group obtained 33.33% equity interest in Versilcraft Holdings Limited ("Versilcraft") (previously named as Best Peak Developments Limited), an unlisted entity incorporated in the British Virgin Islands, by injecting capital of US$100 (equivalent to RMB600). The joint venture has a Hong Kong subsidiary which would be engaged in a yacht building project in Hong Kong.

In 2016, Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd, a joint venture of the Group, incorporated a wholly own subsidiary named Nanjing Mingfa High District Property Co., Ltd, which was engaged in property development in Nanjing. The Group injected capital of RMB8,161,000 to the joint venture according to the share percentage of 51%.

(ii) In 2015, the Group acquired the additional 50% equity interests in Quanzhou Mingfa Huacheung Development and Construction Co., Ltd ("Quanzhou Huangchang") and Mingsheng (Quanzhou) Property Management Co., Ltd ("Mingsheng Quanzhou") from Fujian Nan'an Guanqiao Foodstaff City Investment Development Co., Ltd by consideration of the Group's 70% equity interests in one subsidiary in PRC. The transaction was completed on 31 May 2015. After the transaction, Quanzhou Huangchang and Mingsheng Quanzhou became wholly owned subsidiaries of the Group.

14 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Nature of investments in joint ventures in 2016 and 2015

Name of entity	Place of business	% of interest held	Measurement method
Superb Land Limited (“Superb Land”)	Hong Kong	20%	Equity accounting
Nanjing Mingfa Technology and Commercial Town Construction Decelopment Co., Ltd (“Mingfa Technological”) 南京明發科技商務城建設發展有限公司	PRC	51%	Equity accounting
Versilcraft	Italy	33.33%	Equity accounting

The Group has joint control of the above companies with other joint venture partners in accordance with the relevant contractual agreements which decisions about the relevant activities require the unanimous consent of the parties sharing control and accordingly these companies have been accounted for as joint ventures.

As at 31 December 2016 and 2015, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	As at 31 December	
	2016	2015
	RMB’000	RMB’000
Superb Land	**220,704**	228,714

Summarised financial information for the joint ventures

Set out below are the summarised financial information for the joint ventures which are accounted for using the equity method and significant to the Group.

14 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Summarised statement of financial position

	Superb Land As at 31 December		Mingfa Technological As at 31 December		Versilcraft As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets						
Current assets	**2,639,304**	2,377,635	**5,700,734**	3,473,294	**2,215**	40,487
Non-current assets	**—**	—	**82,690**	72,744	**47,382**	—
	2,639,304	2,377,635	**5,783,424**	3,546,038	**49,597**	40,487
Liabilities						
Current liabilities	**(98,407)**	(1,811)	**(1,963,379)**	(700,742)	**(2,423)**	—
Non-current liabilities	**(2,540,897)**	(2,375,824)	**—**	—	**(47,174)**	(40,487)
	(2,639,304)	(2,377,635)	**(1,963,379)**	(700,742)	**(49,597)**	(40,487)
Net assets	**—**	—	**3,820,045**	2,845,296	**—**	—

Summarised statements of profit or loss and other comprehensive income

	Superb Land Year ended 31 December		Mingfa Technological Year ended 31 December		Versilcraft Year ended 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**—**	—	**986,410**	—	**—**	—
Expenses	**—**	—	**(27,662)**	—	**—**	(3)
(Loss)/profit after tax and other comprehensive income	**—**	—	**958,748**	—	**—**	(3)

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

14 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Summarised statement of profit or loss and other comprehensive income (continued)

Reconciliation of summarised financial information presented to the carrying amounts of the Group's interests in joint ventures:

	Superb Land As at 31 December		Mingfa Technological As at 31 December		Versilcraft As at 31 December	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Opening net assets	**—**	—	**2,845,296**	2,845,296	**—**	3
Profit/(loss) for the year	**—**	—	**958,748**	—	**—**	(3)
Capital injection	**—**	—	**16,001**	—	**—**	—
Closing net assets	**—**	—	**3,820,045**	2,845,296	**—**	—
% of interest held	**20%**	20%	**51%**	51%	**—**	33.33%
Group's interest in joint ventures	**—**	—	**1,948,223**	1,451,101	**—**	—
Carrying amount	**—**	—	**1,948,223**	1,451,101	**—**	—

14 JOINT ARRANGEMENTS (continued)

(b) Joint operation

The Group has a 70% interest in the profits or losses and assets and liabilities of a joint operation located in Xiamen which is engaged in property development and property investment with Powerlong Group Development Co., Ltd ("Baolong"). Baolong has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the joint operation.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Assets		
Current	**458,880**	464,292
Non-current	**373,118**	390,029
	831,998	854,321
Liabilities		
Current	**438,320**	468,926
Non-current	**177,000**	177,000
	615,320	645,926
Net assets	**216,678**	208,395

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Income	**33,255**	23,336
Fair value (losses)/gains on investment properties	**(16,911)**	6,925
Expenses	**(8,061)**	(32,884)
Profit/(loss) after income tax	**8,283**	(2,623)
Proportionate interest in joint operation's		
— operating lease rentals receivable	**4,477**	5,033
— financial guarantees	**34,477**	68,010

15 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in mainland China on leases between 40 to 70 years.

As at 31 December 2016, completed properties held for sale of RMB1,369,219,000 (2015: RMB2,611,888,000) were pledged as collateral for the Group's borrowings (Note 24).

As at 31 December 2016, there was no impairment provision made on completed properties held for sale (2015: Nil).

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**424,359**	653,114
Less: Provision for impairment of trade receivables (Note (b))	**(50,684)**	(50,684)
Trade receivables — net (Note (a))	**373,675**	602,430
Deposits for resettlement costs	**2,889**	2,538
Deposits for land purchases	**635,990**	18,050
Advances to group companies of non-controlling interests (Note (c))	**1,238,976**	10,000
Advances to other parties (Note (d))	**562,705**	605,766
Receivable in connection with the disposal of a joint venture (Note (e))	**—**	204,479
Other receivables (Note (f))	**446,114**	332,974
Government grant receivables	**213,946**	—
Prepayments for commission fees	**135,557**	109,595
Prepayments for construction costs	**1,067,686**	158,276
Prepaid business tax and other levies on pre-sale proceeds	**438,631**	435,330
Miscellaneous	**309**	—
	5,116,478	2,479,438
Less: Non-current portion of other receivables (Note (g))	**(15,086)**	(14,851)
Current portion	**5,101,392**	2,464,587

As at 31 December 2016 and 2015, the fair values of trade receivables, deposits for resettlement costs and land purchases, advances to group companies of non-controlling interests and other parties, receivable in connection with the disposal of a joint venture, other receivables and government grant receivables approximate their carrying amounts.

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

(a) Trade receivables mainly arose from sales of properties, leases of investment properties and property construction. Proceeds in respect of properties sold and leased and property construction are to be received in accordance with the terms of the related sales and purchase agreements, lease agreements and construction agreement.

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on invoice dates, as of the end of the year is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 90 days	**54,376**	363,030
Over 90 days and within 1 year	**110,832**	86,997
Over 1 year and within 2 years	**143,640**	124,227
Over 2 years	**64,827**	28,176
	373,675	602,430

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on due dates, as of the end of the year is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**—**	587,297
Within 90 days	**54,376**	4,874
Over 90 days and within 1 year	**110,832**	10,259
Over 1 year and within 2 years	**143,640**	—
Over 2 years	**64,827**	—
	373,675	602,430

As at 31 December 2016, trade receivables of RMB50,684,000 (2015: RMB50,684,000) are considered impaired. The ageing of these receivables are over 1 year.

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes: (continued)

(b) Movements in provision for impairment of trade receivables are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**50,684**	50,737
Provision for receivable impairment	**—**	7,024
Receivables written off during the year as uncollectible	**—**	(7,077)
Ending balance	**50,684**	50,684

(c) The amount represents advances to group companies of non-controlling interests, which is engaged in property development business and has a long standing business relationship with the Group. The balance is unsecured, interest-free and repayable on demand.

(d) The amounts are unsecured, interest-bearing at 4.35% per annum and repayable on demand.

(e) As at 31 December 2015, the amount related to reimbursement of certain accrued expenses in connection with a disposal of equity interest to be received from the buyer.

(f) The amount mainly comprises general and administrative expenses paid on behalf of the Group's tenants and customers, and refundable workers wages protection fund requested by the related government authorities in the property development industry.

(g) In non-current other receivables is included the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.

17 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Receivables from related parties		
Controlled by the controlling shareholders	**1,671**	1,374
Controlled by the common directors	**—**	5,192
Associated companies (Note 13)	**137,941**	303,430
Loan to related parties		
Joint ventures (Note 14)	**277,516**	259,072
	417,128	569,068
Less: Non-current portion comprising loan to Superb Land	**(264,254)**	(246,275)
Current portion	**152,874**	322,793

17 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES (continued)

As at 31 December 2016, except for an amount of RMB264,254,000 due from Superb Land (2015: RMB246,275,000), which carries interest at 2.2% per annum and will not be demanded for repayment during the next 12 months, the amounts due from related parties, joint ventures and associated companies are non-trade in nature, unsecured, interest-free and repayable on demand. The fair value of the non-current loan to Superb Land is based on cash flows discounted using a market rate which are within Level 2 of the fair value hierarchy.

The carrying amounts of amounts due from related parties, joint ventures and associated companies approximate their fair values.

18 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

Except for the following amounts, the balances with non-controlling interests are non-trade in nature, unsecured, interest-free and repayable on demand:

— due from Nanjing Jiangbei New City Co. Ltd. at RMB180,000,000 as at 31 December 2015, which is the deposit for the acquisition of the additional equity interest in a subsidiary located in Nanjing;

— due from Xi'an Gongheng Zhiye Co., Ltd at RMB79,763,000 as at 31 December 2016, which is money lending with interest bearing at 7.15% per annum, unsecured and mature in June 2017.

The carrying amounts of amounts due from/(to) non-controlling interests approximates their fair values.

19 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

As at 31 December 2016, the Group's cash of approximate RMB1,382,867,000 (2015: RMB3,076,314,000) was restricted and deposited in certain banks as security for certain borrowings (Note 24).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**276,720**	137,000
Addition	**6,150**	966,720
Disposal	**(256,720)**	(827,000)
Ending balance	**26,150**	276,720
Less: Non-current portion	**(26,150)**	(20,000)
Current portion	**—**	256,720

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Unlisted equity shares (Note (a))	**26,150**	20,000
Wealth-management products (Note (b))	**—**	256,720
	26,150	276,720

Notes:

(a) Unlisted equity shares of available-for-sale financial assets represented unlisted equity investment of 10% in a newly established PRC shareholding limited company engaging in micro-lending businesses and are stated at fair value. There is no significant change in fair value of the financial assets for the years ended 31 December 2016 and 2015 from the investment cost.

(b) The interest rate of these wealth-management products as at 31 December 2015 approximates from 1.54% to 2.07% and the maturity dates were 5 January 2016 and 17 February 2016. There is no significant change in fair value of these financial assets as at 2015 from the purchase cost.

As at 31 December 2015, the wealth-management products of RMB100,000,000 were pledged as collateral for the Group's borrowings (Note 24).

21 NON-CONTROLLING INTERESTS

Material non-controlling interests

The total non-controlling interests as at 31 December 2015 amounted to RMB1,103,242,000 of which RMB345,629,000 related to Nanjing Mingfa New Town Real Estate Company Limited ("Mingfa New Town"), a PRC subsidiary and RMB397,685,000 related to Nanjing Mingmao Real Estate Co., Ltd ("Nanjing Mingmao"), a PRC subsidiary in which the non-controlling interests held an equity interest of 36% and 49% respectively. The other non-controlling interests are not material.

In 2016, the Group acquired the additional 36% equity interest in Mingfa New Town. The transaction was completed on 30 June 2016. After the transaction, Mingfa New Town became a wholly owned subsidiary of the Group.

The total non-controlling interest as at 31 December 2016 amounted to RMB820,232,000 of which RMB390,025,000 relates to Nanjing Mingmao. The other non-controlling interests are not material.

Set out below is the summarised financial information for Mingfa New Town and Nanjing Mingmao which have non-controlling interests that is material to the Group for the years ended 2016 and 2015. The financial information represents the amounts before intra-group transactions elimination.

Summarised statement of financial position

	Mingfa New Town As at 31 December		Nanjing Mingmao As at 31 December	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Current				
Assets	—	3,347,921	**5,359,749**	3,103,463
Liabilities	—	(2,400,961)	**(4,599,439)**	(2,055,053)
Total current net assets	—	946,960	**760,310**	1,048,410
Non-current				
Assets	—	13,121	**35,660**	13,193
Liabilities	—	—	—	(250,000)
Total non-current net assets/(liabilities)	—	13,121	**35,660**	(236,807)
Net assets	—	960,081	**795,970**	811,603

21 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income

	Mingfa New Town Year ended 31 December		Nanjing Mingmao Year ended 31 December	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue	**—**	—	**—**	—
Loss before income tax	**—**	(10,422)	**(16,113)**	(11,196)
Income tax credit	**—**	2,605	**480**	2,799
Post-tax loss and other comprehensive income	**—**	(7,817)	**(15,633)**	(8,397)

21 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Summarised statement of cash flows

	Mingfa New Town Year ended 31 December		Nanjing Mingmao Year ended 31 December	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities:				
Cash generated from/(used in) operations	—	225,916	**1,624,442**	(1,036,599)
Interest received	—	961	**4,106**	407
Interest paid	—	(17,638)	**(162)**	(64,430)
PRC income tax paid	—	(28,102)	**(180,727)**	(4,620)
Net cash generated from/(used in) operating activities	—	181,137	**1,447,659**	(1,105,242)
Net cash generated from/(used in) investing activities	—	59,956	**4,106**	(257,056)
Net cash (used in)/generated from financing activities	—	(37,657)	**(1,911,461)**	2,103,842
Net increase/(decrease) in cash and cash equivalents	—	203,436	**(459,696)**	741,544
Cash and cash equivalents at beginning of the year	—	5,020	**741,544**	—
Cash and cash equivalents at end of the year	—	208,456	**281,848**	741,544

Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB281,848,000 as at 31 December 2016 (2015: RMB950,000,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

22 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent RMB
Authorised:			
At 1 January 2015, 31 December 2015 and at 31 December 2016	12,000,000,000	1,200,000,000	
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and at 31 December 2016	6,093,451,026	609,345,103	536,280,877

23 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening balance	**1,450,553**	1,459,979
Addition	**213,947**	—
Amortisation, credited to the consolidated statement of profit or loss	**(52,841)**	(9,426)
Ending balance	**1,611,659**	1,450,553

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Representing:		
Original amount	**1,969,438**	1,755,491
Accumulated amortisation	**(192,169)**	(139,328)
Transfer to investment properties	**(165,610)**	(165,610)
Net book amount	**1,611,659**	1,450,553

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
For the development of property projects	**1,969,438**	1,755,491

24 BORROWINGS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (Note (a))	**8,255,270**	8,509,368
Other borrowings — secured (Note (a))	**100,000**	2,805,360
Senior notes and bonds (Note (b))	**1,124,834**	674,539
	9,480,104	11,989,267
Less: Amounts due within one year	**(6,039,917)**	(6,500,760)
	3,440,187	5,488,507
Borrowings included in current liabilities		
Bank borrowings — secured (Note (a))	**1,915,037**	2,858,682
Other borrowings — guaranteed and secured (Note (a))	**1,193,700**	200,000
Other borrowings — unsecured (Note (a))	**—**	100,000
Current portion of long-term borrowings (Note (a))	**6,039,917**	6,500,760
	9,148,654	9,659,442

(a) Details on borrowings

As at 31 December 2016, the Group's certain borrowings of RMB8,476,528,000 (2015: RMB7,759,805,000) were secured by its land use rights (Note 10), properties under development (Note 12) and completed properties held for sale (Note 15).

As at 31 December 2016, the Group's certain borrowings of RMB3,041,425,000 (2015: RMB3,486,355,000) were secured by its buildings (Note 7) and investment properties (Note 8) and certain borrowings of RMB1,382,867,000 (2015: RMB2,377,890,000) were secured by its restricted cash (Note 19).

As at 31 December 2016, the Group's certain borrowings of RMB693,700,000 (2015: RMB649,360,000) were guaranteed by the controlling shareholders, Galaxy Earnest Limited which is controlled by the controlling shareholders and Growing Group Limited which is wholly-owned by Mr. Wong Wun Ming, one of the controlling shareholders, together with a charge on certain shares of the Company held by Galaxy Earnest Limited.

As at 31 December 2016, the Group's certain borrowings of RMB1,200,000,000 (2015: Nil) were guaranteed by the intermediate holding company of a non-controlling interest.

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2016	**2,049,986**	**265,367**	**1,124,834**	**3,440,187**
As at 31 December 2015	1,100,764	792,439	3,595,304	5,488,507
Borrowings included in current liabilities:				
As at 31 December 2016	**5,367,303**	**3,781,351**	**—**	**9,148,654**
As at 31 December 2015	4,832,071	4,827,371	—	9,659,442

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Borrowings:		
Between 1 and 2 years	**2,219,942**	2,536,552
Between 2 and 5 years	**495,645**	2,074,844
Over 5 years	**724,600**	877,111
	3,440,187	5,488,507

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
Bank borrowings	**5.89%**	5.12%
Other borrowings	**10.66%**	10.67%
Senior notes and bonds	**11.69%**	13.25%

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts RMB'000	**Fair values** RMB'000
As at 31 December 2016		
Bank borrowings (Note (i))	**2,315,353**	**2,346,256**
Senior notes and bonds (Note (ii))	**1,124,834**	**1,233,624**
	3,440,187	**3,579,880**
As at 31 December 2015		
Bank borrowings (Note (i))	3,292,262	3,526,640
Other borrowings (Note (i))	1,559,360	1,686,089
Senior notes (Note (ii))	636,885	693,337
	5,488,507	5,906,066

Notes:

(i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 7.32% as at 31 December 2016 (2015: 6.82%).

(ii) The fair values of senior notes are based on quoted prices in active market and are within Level 1 of the fair value hierarchy.

The fair values of current borrowings equal to their carrying amounts.

24 BORROWINGS (continued)

(b) Senior notes issued on 1 February 2013 ("2018 Notes")

The Company issued US$100,000,000 senior notes on 1 February 2013 ("February closing date") which were listed on the Stock Exchange. The 2018 Notes bear interest at 13.25% per annum, which is payable semi-annually. The 2018 Notes mature in five years from the February closing date.

At any time and from time to time on or after 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 1 February of each of the years indicated below:

Period	Redemption price
2016	106.6250%
2017 and thereafter	103.3125%

At any time and from time to time prior to 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

24 BORROWINGS (continued)

(b) Senior notes issued on 1 February 2013 ("2018 Notes") (continued)

At any time and from time to time prior to 1 February 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.25% of the principal amount of the 2018 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2018 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The 2018 Notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on issue date of the bonds, as at 31 December 2015 and 2016, and is therefore not recognised.

(c) Bonds issued on 15 December 2016 ("2019 Bonds A")

On 15 December 2016, the Company issued US$60,000,000 bonds. The 2019 Bonds A is interest bearing at 9% per annum and is payable quarterly. The 2019 Bonds A mature in three years from the issue date and shall be redeemed at their principal amount together with accrued and unpaid interest in 2019.

The 2019 Bonds A contain early redemption option. Early redemption option is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption option is insignificant on issue date of the bonds, as at 31 December 2016 and is therefore not recognised.

25 DERIVATIVE FINANCIAL INSTRUMENTS

Warrants were issued together with a convertible bond which was issued on 10 December 2010. On 3 December 2015, the subscription period of warrants had expired without exercise of the warrants. The fair value change was made through profit or loss for the year ended 31 December 2015.

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**7,283**	370,087
— to be recovered within 12 months	**297,540**	48,248
	304,823	418,335
Deferred income tax liabilities		
— to be settled after more than 12 months	**(1,756,806)**	(1,625,720)
— to be settled within 12 months	**(59,383)**	(103,510)
	(1,816,189)	(1,729,230)
	(1,511,366)	(1,310,895)

26 DEFERRED INCOME TAX (continued)

The net movement on the deferred income tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**1,310,895**	1,246,392
Charged to the consolidated statement of profit or loss (Note 34)	**200,471**	50,316
Disposal of subsidiaries which became joint ventures	**—**	12,683
Disposal of a subsidiary	**—**	1,504
Ending balance	**1,511,366**	1,310,895

Movement in deferred income tax assets and liabilities for the years ended 31 December 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales	**Temporary differences on recognition of land appreciation tax**	**Temporary differences on recognition of tax losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	**278,303**	**325,947**	**20,794**	**625,044**
Credited/(charged) to the consolidated statement of profit or loss	**67,023**	**(320,150)**	**64,291**	**(188,836)**
As at 31 December 2016	**345,326**	**5,797**	**85,085**	**436,208**
As at 1 January 2015	126,358	364,836	79,618	570,812
Credited/(charged) to the consolidated statement of profit or loss	151,945	(38,889)	(44,637)	68,419
Disposal of subsidiaries which became joint ventures	—	—	(12,683)	(12,683)
Disposal of a subsidiary	—	—	(1,504)	(1,504)
As at 31 December 2015	278,303	325,947	20,794	625,044

26 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2016	**(1,129,251)**	**(102,017)**	**(324,380)**	**(380,291)**	**(1,935,939)**
(Charged)/credited to the consolidated statement of profit or loss	**(73,789)**	**—**	**131,932**	**(69,778)**	**(11,635)**
As at 31 December 2016	**(1,203,040)**	**(102,017)**	**(192,448)**	**(450,069)**	**(1,947,574)**
As at 1 January 2015	(1,000,657)	(102,017)	(338,590)	(375,940)	(1,817,204)
(Charged)/credited to the consolidated statement of profit or loss	(128,594)	—	14,210	(4,351)	(118,735)
As at 31 December 2015	(1,129,251)	(102,017)	(324,380)	(380,291)	(1,935,939)

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated statement of financial position and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB91,699,000 (2015: RMB94,942,000) as at 31 December 2016 in respect of accumulated losses amounting to RMB366,797,000 (2015: RMB379,768,000) as at 31 December 2016. Accumulated losses as at 31 December 2016 amounting to RMB366,797,000 will expire during years 2017 to 2021.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016 RMB'000	2015 RMB'000 (Restated)
Trade payables (Note (a))	**7,350,749**	5,941,225
Other payables (Note (b))	**3,321,934**	2,665,335
Other taxes payable	**143,256**	339,869
	10,815,939	8,946,429
Less: Non-current portion of other payables (Note (b)(i))	**(50,000)**	(150,000)
Current portion	**10,765,939**	8,796,429

27 TRADE AND OTHER PAYABLES (continued)

Notes:

(a) The ageing analysis of trade payables, based on invoice dates, as of the end of the year is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Within 90 days	**3,563,316**	5,494,410
Over 90 days and within 1 year	**1,441,566**	446,815
Over 1 year	**2,345,867**	—
	7,350,749	5,941,225

(b) Other payables comprise:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Deposits and advances from contractors	**545,732**	129,188
Deposits received from tenants of investment properties	**52,574**	59,314
Deposits received from customers for purchase of properties	**1,173,168**	153,123
Advances from shareholders of associated companies (Note (i))	**214,969**	366,333
Advances from other parties (Note (ii))	**582,668**	1,460,282
Consideration payable on acquisition of a joint venture	**—**	50,000
Consideration payable on acquisition of subsidiaries	**161,133**	101,768
Payable to a joint operation partner	**42,598**	43,960
Consideration received for disposal of a subsidiary	**91,200**	—
Provision for loss arising from financial guarantee agreements (Note 30(d))	**89,136**	—
Miscellaneous (Note (iii))	**368,756**	301,367
	3,321,934	2,665,335

Notes:

(i) As at 31 December 2016, except for advances from shareholders of associated companies amounted to RMB167,052,000 (2015: RMB366,333,000) for current portion which is unsecured, interest-bearing with interest rate at 10% (2015: ranging from 5.4% to 10%) per annum and repayable in 1.5 years after drawdown date, the remaining balances are unsecured, interest-free and repayable on demand.

The non-current portion of advances from shareholders of associated companies are non-trade in nature, unsecured, interest-bearing at 10% (2015: 10%) per annum, and repayable in 2 years after drawdown date.

(ii) As at 31 December 2016, except for the advances from other parties amounted to RMB478,594,000 which were unsecured, interest-bearing at 4.35% per annum and repayable on demand, the remaining balance was secured, interest-bearing at 12% per annum and repayable on demand.

As at 31 December 2015, except for advances from other parties amounted to RMB210,582,000 which are unsecured, interest-bearing at 4.35% per annum and repayable on demand, and except for an advance from other party amounted to RMB97,833,000 which was secured, interest-bearing at 12% per annum and repayable on demand, the remaining balances are unsecured, interest-free and repayable on demand.

(iii) The amount mainly comprises accruals of general and administrative expenses, salaries and operating expenses.

28 AMOUNTS DUE TO RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Maximum outstanding balance during the year RMB'000	**2016 RMB'000**	2015 RMB'000
Controlling shareholder			
Mr. Wong Wun Ming	90,924	**59,015**	90,924
Companies controlled by controlling shareholders		**9,543**	—
Joint ventures (Note 14)		**3,395,218**	2,029,022
Associated companies (Note 13)		**688,238**	158,665
		4,152,014	2,278,611

The amounts due to related parties, joint ventures, and associated companies are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due to related parties, joint ventures and associated companies approximate their fair values.

29 PROVISION FOR OTHER LIABILITIES AND CHARGES

	Year ended at 31 December	
	2016 RMB'000	2015 RMB'000
Opening balance	**65,797**	9,294
Additional provision (Note 31)	**27,131**	60,877
Utilised during the year	**(27,839)**	(4,374)
Ending balance	**65,089**	65,797
Representing:		
Provided amounts	**174,298**	147,167
Utilised amounts	**(109,209)**	(81,370)
Net book amount	**65,089**	65,797

The analysis of provision for other liabilities and charges is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Provision for delay in delivering properties	**65,089**	65,797

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated statement of profit or loss, and subject to periodic review on the estimation. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 31 December 2016.

30 OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Government grants (Note (a))	**4,318**	2,248
Compensation income (Note (b))	**—**	13,538
Net loss from disposal of property, plant and equipment	**(716)**	—
Net exchange loss (Note (c))	**(265,215)**	(208,632)
Provision for loss on financial guarantee in respect of guarantee agreements (Note (d))	**(89,136)**	—
Net gain arising from disposal of equity interests in subsidiaries	**—**	50,399
Net gain arising from disposal of a subsidiary	**—**	7,456
Net gain arising from acquisition of additional interest in joint venture which become a wholly owned subsidiary	**—**	7,744
Miscellaneous	**(1,512)**	4,910
	(352,261)	(122,337)

Notes:

(a) The government grants represented both the amortisation of deferred government grant and other subsidy income received from various local government authorities by certain subsidiaries which were credited to the consolidated statement of profit or loss directly. Grants from government authorities were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government authorities on a case by case basis, there is no assurance that the Group will continue to enjoy such grants in the future.

(b) In 2015, the Group received total compensation of RMB13,538,000 from the seller representing overdue interest for late transfer of the project company as agreed in the sales and purchase agreement in connection with the Group's acquisition of its 100% equity interest in January 2010.

(c) Exchange difference mainly arises from the senior notes and bonds as stated in Note 24 which is denominated in USD.

(d) A provision for loss arose from three financial guarantee agreements in respect of guarantee agreements entered into by a subsidiary of the Group amounted to RMB34,990,000, RMB26,546,000 and RMB27,600,000 respectively.

31 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Staff costs — including directors' emoluments (Note (a))	**306,256**	232,754
Auditor's remuneration	**4,800**	4,250
Charitable donation	**3,081**	10,873
Bad debt written off	**85,091**	—
Depreciation	**82,375**	71,080
Amortisation of land use rights	**6,515**	6,618
Cost of properties sold	**3,556,055**	1,358,121
Cost of property construction	**—**	340,665
Business tax and other levies on sales and construction of properties (Note (b))	**160,164**	105,279
Direct outgoings arising from investment properties that generate rental income	**85,619**	72,218
Operating lease expenses on land and buildings	**37,481**	55,855
Provision for impairment of receivables	**1**	7,024
Hotel operating expenses	**108,266**	136,278
Impairment of goodwill (Note 11)	**—**	3
Provision for delay in delivering properties (Note 29)	**27,131**	60,877

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	**261,524**	190,858
Pension costs — defined contribution plans	**26,564**	23,275
Other allowances and benefits	**18,168**	18,621
	306,256	232,754

(b) Business tax and other levies on sales and construction of properties

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale and construction of properties. These expenses are included in cost of sales.

32 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits and loan to a related party (Note 41(b))	**125,083**	72,214
Interest expenses on bank borrowings	**(803,671)**	(734,758)
Interest expenses on other borrowings and advances from other parties	**(132,344)**	(257,571)
Interest expenses on senior notes and bonds (Note 24)	**(94,583)**	(87,546)
Less: Interest capitalised	**1,030,598**	1,079,875
Finance costs	**—**	—
Net finance income	**125,083**	72,214

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

The remuneration of each executive of the Company for the year ended 31 December 2016 is set out below:

Name	**Fees**	**Salaries**	**Employer's contribution to a retirement benefit scheme**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors				
Mr. Wong Wun Ming (Note (i))	**—**	**120**	**15**	**135**
Mr. Huang Qingzhu	**—**	**120**	**15**	**135**
Mr. Huang Lianchun	**—**	**46**	**—**	**46**
Mr. Huang Li Shui	**—**	**2,829**	**15**	**2,844**
Independent non-executive directors				
Mr. Lau Kin Hon	**206**	**—**	**—**	**206**
Mr. Dai Yiyi (Note (ii))	**206**	**—**	**—**	**206**
Mr. Qu Wenzhou (Note (iii))	**206**	**—**	**—**	**206**
Mr. Chu Kin Wang Peleus (Note (iv))	**86**	**—**	**—**	**86**
	704	**3,115**	**45**	**3,864**

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each executive director of the Company for the year ended 31 December 2015 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Mr. Wong Wun Ming (Note (i))	—	120	12	132
Mr. Huang Qingzhu	—	120	12	132
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,765	—	2,765
Independent non-executive directors				
Mr. Lau Kin Hon	201	—	—	201
Mr. Dai Yiyi (Note (ii))	201	—	—	201
Mr. Qu Wenzhou (Note (iii))	201	—	—	201
	603	3,051	24	3,678

Notes:

(i) The chief executive of the Group is Mr. Wong Wun Ming (also a director) whose emoluments have been presented above.

(ii) Resigned with effect from 1 September 2018.

(iii) Resigned with effect from 31 August 2018.

(iv) Appointed on 1 November 2016.

(b) Five highest paid individuals

During the year ended 31 December 2016, one (2015: one) of the five highest paid individuals is director of the Company, whose emolument is reflected in the analysis presented above.

The aggregate amounts of emoluments of the four highest paid individuals for the year ended 31 December 2016 (2015: four) are set out below:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Basic salaries and allowance	**4,397**	4,251
Retirement scheme contributions	**109**	58
	4,506	4,309

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals (continued)

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2016 and 2015 presented fall within the range of following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK$500,001–HK$1,000,000	**3**	3
HK$1,000,001–HK$1,500,000	**—**	—
HK$1,500,001–HK$2,000,000	**—**	—
HK$2,000,001–HK$2,500,000	**1**	1

(c) During the year ended 31 December 2016, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2015: Nil).

During the year ended 31 December 2016, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2015: Nil).

During the year ended 31 December 2016, no consideration was provided to or receivable by third parties for making available director's services (2015: Nil).

(d) No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (2015: Nil).

(e) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

34 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Current income tax		
— PRC enterprise income tax	**155,548**	299,592
— PRC land appreciation tax		
— current year	**258,922**	33,409
— over provision in respect of prior years (Note (a))	**(964,451)**	—
	(549,981)	333,001
Deferred income tax		
— PRC enterprise income tax	**130,693**	45,965
— PRC withholding income tax	**69,778**	4,351
	200,471	50,316
	(349,510)	383,317

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**824,647**	742,883
PRC land appreciation tax	**705,529**	(33,409)
	1,530,176	709,474
Calculated at PRC enterprise income tax rate of 25%	**382,544**	177,368
Effect of expenses not deductible for income tax purposes (Note (b))	**68,735**	176,920
Income not subject to tax (Note (c))	**(207,408)**	(9,661)
Tax losses not recognised as deferred tax assets	**42,370**	930
PRC enterprise income tax	**286,241**	345,557
PRC land appreciation tax	**(705,529)**	33,409
PRC withholding income tax	**69,778**	4,351
Total tax (credit)/expense	**(349,510)**	383,317

34 INCOME TAX EXPENSE (continued)

Notes:

(a) A portion of provision for PRC land appreciation tax brought forward from prior years of certain subsidiaries was reversed during the year after the relevant tax authorities have confirmed the final amounts of the PRC land appreciation tax charged to the subsidiaries.

(b) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, net exchange loss, interest expense on bonds and senior notes.

(c) Income not subject to tax mainly comprises fair value gains on derivative financial instruments, share of results of associated companies and joint ventures, and unrealised exchange gain.

Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2016 (2015: Nil).

PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2015: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

PRC withholding income tax

According to the Enterprise Income Tax Law of the PRC and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied, subject to approval of local tax authorities, when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

35 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2016 (2015: Nil).

36 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share for the years ended 31 December 2016 and 2015 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2015, the Company has one category of dilutive potential ordinary shares: warrants. A calculation is done to determine the number of shares that could have been acquired based on the monetary value of the subscription rights attached to the warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. On 3 December 2015, the subscription period of the warrants has expired and no warrant has been exercised during the subscription period.

For the year ended 31 December 2015, as the average market share price of the ordinary shares during the year was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

As there were no dilutive options and other dilutive potential shares in issue during 2016, and the Company's shares were suspended for trading on Stock Exchange, diluted earnings per share is the same as basic earnings per share.

	Year ended 31 December	
	2016	2015 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**1,169,435**	379,042
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,093,451
Basic and diluted earnings per share (RMB cents)	**19.2**	6.2

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the significant subsidiaries, associated companies and joint ventures of the Group as at 31 December 2016 and 2015 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK$1,000,000,000	HK$1,000,000,000	**100%**	100%	Property development and investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB200,000,000	RMB200,000,000	**100%**	100%	Property development and investment holding
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團（漳州）房地產開發有限公司	13 February 2007	Sino-foreign joint venture	HK$230,000,000	HK$230,000,000	**100%**	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	**70%**	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US$110,000,000	US$110,000,000	**100%**	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團（合肥）房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US$29,990,000	US$29,990,000	**100%**	100%	Property development and investment holding
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US$60,000,000	US$60,000,000	**100%**	100%	Property development and investment holding
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京明發珍珠泉大酒店有限公司	15 September 2004	Sino-foreign joint venture	US$14,804,000	US$14,804,000	**100%**	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	100%	Property investment
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB211,680,000	RMB211,680,000	**100%**	100%	Property development and investment holding
Xiamen Ming Sheng Investment Management Co., Ltd. 廈門明勝投資管理有限公司	18 April 2006	Foreign investment enterprise	HK$68,000,000	HK$68,000,000	**100%**	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	**100%**	100%	Furniture manufacturing

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司	28 November 2006	Domestic enterprise	RMB80,000,000	RMB8,000,000	**100%**	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB100,000,000	RMB100,000,000	**100%**	100%	Property development
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US$23,500,000	US$23,500,000	**100%**	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐（廈門）傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	**100%**	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司	18 October 1999	Domestic enterprise	RMB30,080,000	RMB30,080,000	**100%**	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	**100%**	100%	Hotel operation
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	**100%**	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK$8,000,000	HK$8,000,000	**100%**	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK$375,000,000	HK$88,000,000	**100%**	100%	Property development
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	**100%**	100%	Property development
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB1,000,000,000	RMB1,000,000,000	**100%**	100%	Property development
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US$90,000,000	US$90,000,000	**100%**	100%	Property development
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團（瀋陽）房地產開發有限公司	24 March 2010	Foreign investment enterprise	US$30,000,000	US$30,000,000	**100%**	100%	Property development

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園（瀋陽）房地產開發有限公司	24 March 2010	Foreign investment enterprise	US$5,000,000	US$5,000,000	**100%**	100%	Property development
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝（合肥）物業服務經營管理有限公司	2 June 2010	Foreign investment enterprise	HK$5,000,000	HK$5,000,000	**100%**	100%	Property management
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝（揚州）商業管理有限公司	26 April 2010	Foreign investment enterprise	HK$5,800,000	HK$5,800,000	**100%**	100%	Property management
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝（無錫）物業經營管理有限公司	15 July 2010	Foreign investment enterprise	HK$5,000,000	HK$5,000,000	**100%**	100%	Property management
Ming Sheng (Zhangzhou) Property Operation Management Co., Ltd 明勝（漳州）物業經營管理服務有限公司	21 May 2010	Foreign investment enterprise	RMB5,000,000	RMB5,000,000	**100%**	100%	Property management
Huizhou Fuzhiye Real Estate Co., Ltd. 惠州富之頁房地產開發有限公司	9 November 1991	Foreign investment enterprise	US$34,700,000	US$27,546,373	**80%**	80%	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US$29,800,000	US$20,000,000	**100%**	100%	Hotel operation
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團（泰州）房地產開發有限公司	11 August 2011	Foreign investment enterprise	US$159,500,000	US$111,500,070	**100%**	100%	Property development
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團（天津濱海新區）房地產開發有限公司	8 September 2011	Foreign investment enterprise	US$30,000,000	US$30,000,000	**100%**	100%	Property development

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Xiamen Mingfa Seaview International Hotel Co., Ltd. 廈門明發海景國際酒店有限公司	4 November 2011	Domestic enterprise	RMB30,000,000	RMB30,000,000	**100%**	100%	Hotel operation
Mingfa (Longhai) Real Estate Company Limited 明發（龍海）房地產開發有限公司	24 February 2012	Foreign investment enterprise	HK$50,000,000	HK$50,000,000	**100%**	100%	Property development
Mingfa Group (Shenzhen) Real Estate Company Limited 明發集團（深圳）房地產開發有限公司	21 May 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	100%	Property development
Lanzhou Mingfa Zhongke Real Estate Co., Ltd. 蘭州明發中科房地產開發有限公司	15 March 2011	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	**51%**	51%	Property development
Quanzhou Mingfa Huachang Development and Construction Co., Ltd. 泉州明發華昌商業城開發建設有限公司	12 March 2010	Domestic enterprise	RMB110,000,000	RMB110,000,000	**100%**	100%	Property development
Mingfa (China) Investments Company Limited 明發（中國）投資有限公司	23 October 2012	Foreign investment enterprise	US$150,000,000	US$150,000,000	**100%**	100%	Investment holding
Nanjing Mingfa New Town Real Estate Company Limited 南京明發新城置業有限公司 (Note (a))	24 December 2012	Domestic enterprise	RMB200,000,000	RMB200,000,000	**100%**	100%	Property development
Shenyang Mingfa Zhi Gang Real Estate Co., Ltd. 瀋陽明發智港置業有限公司 (Note (b))	1 February 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	**—**	100%	Property development
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司	21 March 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	100%	Property development

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Nanjing Mingfa Tong Sheng Electronics and Information Technology Co., Ltd. 南京明發通盛電子信息技術發展有限公司	19 June 2013	Domestic enterprise	US$10,000,000	US$6,600,295	**70%**	70%	Property development
Ping Liang Shi Ding Sheng Real Estate Co., Ltd 平凉市鼎盛置業投資有限公司	20 April 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	**60%**	60%	Property development
Mingfa Group Nanjing Pukou Real Estate Co., Ltd. 明發集團南京浦口房地產開發有限公司	25 November 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	**100%**	100%	Property development
Mingfa Group (Ma An Shan) Industrial Co., Ltd. 明發集團（馬鞍山）實業有限公司	20 November 2013	Foreign investment enterprise	US$10,000,000	US$10,000,000	**100%**	100%	Property development
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團（淄博）房地產開發有限公司	22 August 2013	Domestic enterprise	RMB500,000,000	RMB500,000,000	**100%**	100%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝（泉州）物業管理有限公司	18 October 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	**100%**	100%	Property management
Nanjing MingMao Real Estate Co., Ltd. 南京明茂置業有限公司	05 February 2015	Domestic enterprise	RMB820,000,000	RMB820,000,000	**51%**	51%	Property development
Nanjing Mingfa PuTai Real Estate Co., Ltd. 南京明發浦泰置業有限公司	16 March 2015	Domestic enterprise	RMB100,000,000	RMB100,000,000	**51%**	51%	Property development

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Hefei Mingfa International Hotel Co., Ltd. 合肥明發國際大酒店有限公司	3 January 2014	Domestic enterprise	US$15,000,000	US$10,302,000	**100%**	100%	Hotel operation
Mingfa Group Guang'an Real Estate Co., Ltd. 明發集團廣安房地產開發有限公司	17 March 2014	Domestic enterprise	RMB60,000,000	RMB60,000,000	**100%**	100%	Property development
Mingfa Group Nanjing Ruiye Real Estate Co., Ltd. 明發集團南京瑞業房地產開發有限公司 (Note (c))	28 May 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	**40%**	40%	Property development
Mingfa Group Anhui Jinzhai City Development Co., Ltd 明發集團安徽金寨城市開發有限公司	9 December 2014	Domestic enterprise	RMB200,000,000	RMB120,000,000	**100%**	100%	Property development
Xiamen Zhong Ao Cheng Property Co., Ltd. 廈門中澳城置業有限公司 (Note (d))	16 June 2014	Domestic enterprise	RMB50,000,000	RMB50,000,000	**51%**	—	Property development
Nanjing Tian Lang Technology Development Co., Ltd. 南京天朗科技投資發展有限公司 (Note (e))	18 June 2012	Domestic enterprise	RMB100,000,000	RMB20,000,000	**100%**	—	Property development
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. 明發集團南京千秋業水泥制品有限公司 (Note (f))	17 July 2003	Domestic enterprise	RMB20,000,000	RMB20,000,000	**100%**	—	Trading of construction materials
Nanjing Mingfa Long Wei Construction Technology Co., Ltd. 南京明發龍威建築科技有限公司 (Note (g))	3 July 2003	Domestic enterprise	RMB100,000,000	RMB100,000,000	**55%**	—	Property development
Xiamen Hongyuan Gaotai Trade Co., Ltd. 廈門弘源高泰貿易有限公司	20 December 2016	Domestic enterprise	RMB30,000,000	—	**100%**	—	Trading of construction materials
Mingfa Group Nanjing Xiang Ye Real Estate Co., Ltd. 明發集團南京祥業房地產開發有限公司	3 June 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	**100%**	—	Property development

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Nanjing Minghong New Real Estate Development Co., Ltd. 南京明弘新房地產開發有限公司 (Note (c))	20 October 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	**40%**	—	Property development
Mingfa Group (Ma On Shan) Environmental Construction Co., Ltd. 明發集團（馬鞍山）環境建設有限公司	14 October 2016	Foreign investment enterprise	USD20,000,000	—	**100%**	—	Property development
Quanjiao Mingfa Industrial Co., Ltd. 全椒明發實業有限公司	8 October 2016	Domestic enterprise	RMB100,000,000	RMB100,000,000	**100%**	—	Property development
Chendu Mingfa Commercial Town Construction Co., Ltd 成都明發商務城建設有限公司	28 January 2010	Domestic enterprise	RMB33,000,000	RMB33,000,000	**100%**	—	Property development
Zhangzhou Mingfa Wyndham Hotel Co., Ltd 漳州明發温德姆酒店有限公司	7 August 2014	Domestic enterprise	RMB30,000,000	RMB30,000,000	**100%**	—	Hotel operation
Subsidiary — incorporated in Taiwan							
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司（台灣）	1 April 2013	Limited liability company	NTD10,000,000	NTD10,000,000	**99%**	99%	Property development
Subsidiaries — incorporated in Hong Kong							
Ming Fat Holdings (Hong Kong) Limited 明發集團（香港）有限公司	25 October 2000	Limited liability company	HK$200,000,000	HK$80,000,000	**100%**	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK$2,000,000	HK$2,000,000	**100%**	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	11 May 2002	Partnership	—	—	**100%**	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
H.K. Ming Shing Assets Management Group Limited 香港明勝資產集團管理有限公司	10 September 2009	Limited liability company	HK$10,000	HK$10,000	**100%**	100%	Investment holding
Dowence Development Limited 都運時發展有限公司	27 January 2011	Limited liability company	HK$10,000	HK$10,000	**80%**	80%	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	**100%**	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	**100%**	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	**100%**	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK$10,000	HK$10,000	**100%**	100%	Investment holding
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2012	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團（中國）商業地產開發有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團（中國）新城鎮建設有限公司	3 May 2011	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group Technology Property Real Estate Development Company Limited 明發集團科技產業地產開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Mingfa Group (China) World Trade Center Development Company Limited 明發集團（中國）世界貿易中心開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Subsidiaries — incorporated in British Virgin Islands							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US$50,000	US$11,100	**100%**	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US$50,000	US$10,000	**100%**	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US$50,000	US$10,000	**100%**	100%	Investment holding
Elite Harbour Limited 港俊有限公司*	26 March 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding

* Directly held by the Company

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Jian Mao Limited 建茂有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Haofa Limited 好發有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	**100%**	100%	Investment holding
Long Thrive International Limited 長盛國際有限公司*	17 October 2012	Limited liability company	US$1	US$1	**100%**	100%	Investment holding
Astute Skill Limited 明巧有限公司*	26 October 2012	Limited liability company	US$1	US$1	**100%**	100%	Investment holding
Great Stand Investments Limited 昌立投資有限公司*	2 October 2012	Limited liability company	US$1	US$1	**100%**	100%	Investment holding
Baile Investments Limited 百樂投資有限公司*	12 November 2012	Limited liability company	US$1	US$1	**100%**	100%	Investment holding
Moon Rainbow Limited 滿虹有限公司*	30 October 2012	Limited liability company	US$1	US$1	**100%**	100%	Investment holding
Best Trinity Holdings Limited 合盛控股有限公司	6 November 2012	Limited liability company	US$1,000	US$1,000	**80%**	80%	Investment holding
Sharp Pass Limited 鋭通有限公司*	21 October 2014	Limited liability company	US$1	US$1	**100%**	100%	Investment holding
Repute Rise Limited 譽升有限公司*	15 June 2015	Limited liability company	US$1	US$1	**100%**	100%	Investment holding

* Directly held by the Company

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2016	2015	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
Easycrest Limited 易冠有限公司*	30 April 2014	Limited liability company	US$1	US$1	**100%**	100%	Property development
Associated companies — established in the PRC							
Changchun Shimao Mingfa Real Estate Company Limited 長春世茂明發房地產開發有限公司	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	**37.5%**	37.5%	Property development and investment holding
Nanjing Software Valley Mingfa Communication Technology Development Co Ltd 南京軟件谷明發通信科技發展有限公司	6 February 2013	Sino-foreign joint venture	US$40,000,000	US$40,000,000	**49%**	49%	Property development
Nanjing Software Valley Mingfa Information Technology Development Company Limited 南京軟件谷明發信息科技發展有限公司	21 June 2005	Sino-foreign joint venture	US$60,000,000	US$60,000,000	**48%**	48%	Property investment
Associated companies — incorporated in British Virgin Islands							
Eagle Rights Limited 鈞濠有限公司	31 March 2010	Limited liability company	US$45,000,000	US$45,000,000	**33.3%**	33.3%	Investment holding
Speedy Gains Limited (Note (h))	15 February 2013	Limited liability company	US$10	US$10	**—**	20%	Investment holding
Joint venture — established in the PRC							
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Sino-foreign joint venture	US$448,980,000	US$448,079,550	**51%**	51%	Property development
Joint ventures — incorporated in British Virgin Islands							
Superb Land Limited	09 June 2014	Limited liability company	US$50,000	US$10	**20%**	20%	Investment holding
Best Peak Developments Ltd	25 September 2015	Limited liability company	US$300	US$300	**33.3%**	33.3%	Investment holding

* Directly held by the Company

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Notes:

(a) On 27 April 2016, the Group additionally acquired 36% interest in a subsidiary, Nanjing Mingfa New Town Real Estate Company Limited ("Mingfa New Town") at a cash consideration RMB568,845,000, after the acquisition Mingfa New Town became the Group's wholly owned subsidiary.

(b) De-registered by the Group on 30 August 2016.

(c) The adoption of HKFRS 10 has resulted in the consolidation of Mingfa Group. Nanjing Ruiye Real Estate Co., Ltd and Nanjing Minghong New Real Estate Development Co., Ltd despite the Group owning less than 50% of the voting rights. This is because the Group has the practical ability to unilaterally direct the relevant activities of these companies.

(d) 51% equity interest was acquired by the Group on 7 January 2016.

(e) 100% equity interest was acquired by the Group on 11 April 2016.

(f) 100% equity interest was acquired by the Group on 3 August 2016. 15% equity interest was originally held by Bloom Luck Holdings Limited, a company controlled by a controlling shareholder (Note 41a).

(g) 55% equity interest was acquired by the Group on 19 April 2016.

(h) 20% equity interest was disposed by the Group on 20 December 2016.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

38 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2016 and 2015.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	**5,093,119**	4,245,057

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

39 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for		
— Properties being developed by the Group for sale	**5,951,515**	2,236,645
— Land use rights	**2,977,963**	3,362,041
	8,929,478	5,598,686

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**21,120**	31,095
In the second to fifth year, inclusive	**87,546**	70,177
Over five years	**217,970**	15,125
	326,636	116,397

39 COMMITMENTS (continued)

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**105,826**	154,737
In the second to fifth year, inclusive	**606,893**	529,026
Over five years	**1,044,539**	1,055,099
	1,757,258	1,738,862

40 ACQUISITION OF SUBSIDIARIES

On 7 January 2016, the Group completed an acquisition of 51% equity interest in a PRC entity Xiamen Zhong Ao Cheng Property Co., Ltd. ("Zhong Ao Cheng") at a cash consideration of approximate RMB25,500,000.

On 19 April 2016, the Group completed an acquisition of 55% equity interest in a PRC entity Nanjing Mingfa Long Wei Construction Technology Co., Ltd. ("Long Wei") at a cash consideration of approximate RMB55,000,000.

On 3 August 2016, the Group completed an acquisition of 100% equity interest in a PRC entity Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. ("Nanjing Qianqiuye") at a cash consideration of approximate RMB200,000,000.

The directors consider these acquisitions are an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

40 ACQUISITION OF SUBSIDIARIES (continued)

The assets and liabilities acquired and the net outflow of cash on acquisition are as below:

	Zhong Ao Cheng Purchased value RMB'000	Long Wei Purchased value RMB'000	Nanjing Qianqiuye Purchased value RMB'000	Total RMB'000
Property, plant and equipment (Note 7)	7	106,980	15,862	122,849
Land use rights (Note 10)	330,889	23,869	207,687	562,445
Inventories	—	—	32,861	32,861
Cash and cash equivalents	184	455	552	1,191
Trade and other receivables and prepayments	69,251	37,189	12,367	118,807
Trade and other payables	(350,331)	(68,493)	(49,329)	(468,153)
Borrowings	—	—	(20,000)	(20,000)
Total net assets	50,000	100,000	200,000	350,000
Net assets acquired	25,500	55,000	200,000	280,500
Total consideration	25,500	55,000	200,000	280,500
Less: Unpaid cash consideration	—	—	(183,000)	(183,000)
Purchase consideration settled in cash	25,500	55,000	17,000	97,500
Less: Cash and cash equivalents in the subsidiaries acquired	(184)	(455)	(552)	(1,191)
Net outflow of cash on acquisition	25,316	54,545	16,448	96,309

41 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

(i) Controlling shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the controlling shareholders.

(ii) Controlled by the controlling shareholders

Xiamen Ming Fa Property Development Limited*	廈門市明發物業發展有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司
Galaxy Earnest Limited	銀誠有限公司
Hong Kong Ming Fat International Holdings Company Limited	香港明發國際集團有限公司
Creative Industrial Estate (China) Development Limited	創業產業園（中國）發展有限公司
Mile Pacific (Hong Kong) Limited	邁泰（香港）有限公司
Mile Pacific Limited	邁泰有限公司
Sky Color Limited	天輝有限公司
Avail Wild Limited	博盈有限公司
Ocean Ample Limited	海溢投資有限公司
Hong Kong Ming Fa Investment Development Limited	香港明發投資發展有限公司
Tampell Limited	天普有限公司
Zone Ray Limited	崇亮有限公司

(iii) Common directors

Nanjing Qianqiuye#	明發集團南京千秋業水泥製品有限公司

* This company was a subsidiary of the Group before it was disposed.

This company was a subsidiary of the Group before it was disposed and was re-acquired on 3 August 2016 (Note 37(f)).

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

41 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Other than those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Interest income from loan to Superb Land, a joint venture (Note 17)	**6,552**	7,851
Acquisition of 15% equity interest of Nanjing Qianqiuye from Bloom Luck Holdings Limited, a company controlled by a controlling shareholder	**30,000**	—
Sale of properties to controlling shareholders	**—**	54,286
Sale of properties (recorded as completed properties held for sale) to close family members of controlling shareholders	**1,331**	125,714

(c) Key management compensation

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**7,713**	7,385
Retirement scheme contributions	**134**	61
	7,847	7,446

42 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2016 RMB'000	2015 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**285**	409
Investments in subsidiaries	**214**	214
	499	623
Current assets		
Other receivable	**13,418**	—
Amounts due from subsidiaries	**7,144,156**	7,520,324
Amounts due from related parties	**390,247**	11,367
Cash and cash equivalents	**4,633**	26,208
	7,552,454	7,557,899
Total assets	**7,552,953**	7,558,522
LIABILITIES		
Current liabilities		
Other payables	**98,375**	—
Amounts due to subsidiaries	**3,933,211**	1,635,394
Borrowings	**2,388,087**	3,942,693
	6,419,673	5,578,087
Net current assets	**1,132,781**	1,979,812
Total assets less current liabilities	**1,133,280**	1,980,435
Non-current liabilities		
Borrowings	**1,520,008**	1,790,148
Total liabilities	**7,939,681**	7,368,235
Net (liabilities)/assets	**(386,728)**	190,287
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**536,281**	536,281
Reserves (Note)	**(923,009)**	(345,994)
Total (deficit)/equity	**(386,728)**	190,287

On behalf of the directors

Wong Wun Ming
Director

Huang Lianchun
Director

42 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (continued)

Note:

Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	631,266	(389,432)	241,834
Loss for the year	—	(587,828)	(587,828)
Balance at 31 December 2015	631,266	(977,260)	(345,994)
Loss for the year	**—**	**(577,015)**	**(577,015)**
Balance at 31 December 2016	**631,266**	**(1,554,275)**	**(923,009)**

43 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

(a) Senior notes and bonds

(i) ***Bonds with principal amount of US$220,000,000, interest rate at 11 per cent and due date in 2020 ("2020 Bonds A")***

On 18 May 2017, the 2020 Bonds A were issued.

(ii) ***2019 Bonds A***

In May 2017, principal amount of US$10,000,000 of the 2019 Bonds A (Note 24) was redeemed.

(iii) ***2018 Notes***

On 1 February 2018, the 2018 Notes (Note 24) were redeemed.

(iv) ***Bonds with principal amount of US$200,000,000, interest rate at 15 per cent and due date in 2020 ("2020 Bonds B")***

On 16 January 2019, the 2020 Bonds B were issued.

(v) ***Bonds with principal amount of US$200,000,000, interest rate at 11 per cent and due date in 2019 ("2019 Bonds B")***

The 2019 Bonds B were issued on 17 January 2018 and redeemed on 16 January 2019.

(b) Acquisition of subsidiaries

(i) On 6 April 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Property Co.,Ltd. and liabilities at a cash consideration of approximate RMB112,500,000.

(ii) On 2 August 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Spa Travel Investments Co.,Ltd. and liabilities at a cash consideration of approximate RMB67,500,000.

(iii) On 7 August 2018, the Group completed an acquisition of 50% equity interest in a PRC entity Nanjing Zhaofu International Golf Club Co., Ltd at a cash consideration of approximate RMB210,000,000.

43 SIGNIFICANT EVENTS AFTER THE REPORTING DATE (continued)

(c) Disposal of subsidiaries

(i) Pursuant to the equity transfer agreement entered into between the Group and a third party on 11 December 2017, the Group agreed to sell entire 55% equity interest in Nanjing Mingfa Long Wei Construction Technology Co., Ltd, a subsidiary of the Group to the third party at a consideration of RMB55,000,000, which was fully received by the Group in December 2017 and the disposal was completed by the end of 2017.

(ii) On 4 April 2019, the Group and an independent third party buyer entered into an equity transfer and cooperation agreement pursuant to which, the Group agreed to sell and the buyer agreed to buy the Group's 51% equity interests in subsidiaries, which have obtained the land use rights in relation to the project sites located in Silianpian District, Wujiang Town, He Country, Maanshan City, Anhui Province of a total gross floor area of 1,888,000 square metres, for the consideration of RMB2,792,000,000. Upon completion of the equity transfer, the Group will hold 49% equity interests in these subsidiaries and the Group and the buyer shall cooperate to develop the project. Details are disclosed in the Company's announcement date 4 April 2019.

44 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current year's presentation.

45 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 June 2019.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

RESULTS

	Year ended 31 December				
	2016 **RMB'000**	2015 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**5,089,696**	3,039,665	3,792,610	6,269,093	3,741,096
Profit before income tax	**824,647**	742,883	1,736,932	2,302,942	2,545,769
Income tax credit/(expense)	**349,510**	(383,317)	(680,772)	(926,628)	(786,481)
Profit for the year	**1,174,157**	359,566	1,056,160	1,376,314	1,759,288
Attributable to:					
Equity holders of the Company	**1,169,435**	379,042	829,310	1,399,229	1,764,745
Non-controlling interests	**4,722**	(19,476)	226,850	(22,915)	(5,457)
	1,174,157	359,566	1,056,160	1,376,314	1,759,288

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016 **RMB'000**	2015 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**60,904,508**	51,886,873	40,570,688	35,371,471	32,314,091
Total liabilities	**(47,641,759)**	(39,309,297)	(28,861,496)	(24,128,713)	(22,473,146)
Non-controlling interests in equity	**(820,232)**	(1,103,242)	(625,822)	(988,671)	(972,158)
	12,442,517	11,474,334	11,083,370	10,254,087	8,868,787