SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司

(Stock Code: 1207)

ANNUAL REPORT 2016



Contents

Corporate Information

Board of Directors

He Binwu *(Chairman)*
Peng Xinkuang *(Chief Executive Officer)*
Chen Donghui
Chen Chao
Shi Janson Bing
Zhu Qiang
Qin Wenying
Zhuo Fumin*
Chan, Charles Sheung Wai*
Ma Lishan*
Han Gensheng*

* *Independent Non-executive Directors*

Authorized Representatives

He Binwu
Peng Xinkuang

Company Secretary

Pang Ka Fai Angus

Legal Adviser

Norton Rose Fulbright Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers

Hong Kong:	The Agricultural Bank of China CITIC Bank International Limited
PRC:	The Industrial and Commercial Bank of China The Agricultural Bank of China China Construction Bank Shanghai Pudong Development Bank Xiamen International Bank China Merchants Bank

Corporate Information

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

Suite 1307, 13th Floor
AIA Central
1 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen’s Road East
Hong Kong

Stock Code

1207

Internet Web Site

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E-mail

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Introduction of the Group

SRE Group Limited (the "Company") and its subsidiaries (the "Group") is an integrated real estate developer focusing on high-quality development projects and urban renewal projects in first-tier cities in the PRC, in particular core areas in Shanghai, which is geographically the base for the Group's property development business. While the Group is mainly focusing on high-quality property development, it is also seeking to explore new opportunities in urban development and renewal, medical and senior properties, and cultural tourism and innovative technology properties. The Group will also expand its investment businesses, accelerate the investment-withdrawal and profit-making process by adopting the "financing, investment, management and exit" approach, and operate in a "light and heavy assets in parallel" model. The Group is also putting the strategy of internationalization into practice by seeking high-quality assets overseas, and will prudently attempt limited diversification, including the cultivation of real estate-related internet, funds and finance businesses, striving to become a fully integrated trans-sector real estate and finance group.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 December 1999.

Financial Summary

Summary of Results

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Revenue	**3,403**	1,419	1,141	2,668	2,914
Gross profit/(loss)	**612**	(1,093)	243	763	814
Profit/(loss) before income tax	**684**	(2,168)	450	399	410
Income tax (expense)/credit	**(341)**	185	(336)	(235)	(159)
Profit/(loss) for the year	**343**	(1,983)	114	164	251
Non-controlling interests	**(111)**	83	(198)	(4)	48
Profit/(loss) attributable to owners of the Company	**232**	(1,900)	(84)	160	299
Proposed dividends	**–**	–	–	48	–
Earnings/(loss) per share					
– Basic (RMB)	**0.01**	(0.28)	(0.01)	0.03	0.06
– Diluted (RMB)	**0.01**	(0.28)	(0.01)	0.03	0.06

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Total assets	**22,711**	29,155	29,447	25,190	23,804
Total liabilities	**15,659**	22,420	21,871	17,679	15,888
Net assets	**7,052**	6,735	7,576	7,511	7,916
Cash and bank balances (including restricted cash)	**1,513**	2,555	1,664	2,312	1,648
Shareholders' funds	**6,674**	6,403	7,129	7,257	7,345

	Year ended 31 December				
	2016	2015	2014	2013	2012
Return on equity (%)	**3%**	(31%)	(1%)	2%	4%
Current ratio (times)	**1.17x**	1.24x	2.10x	2.34x	2.00x
Total liabilities to net assets ratio (times)	**2.22x**	3.33x	2.89x	2.35x	2.01x
Net debt to shareholders' funds ratio (times)*	**2.12x**	3.10x	2.83x	2.12x	1.94x

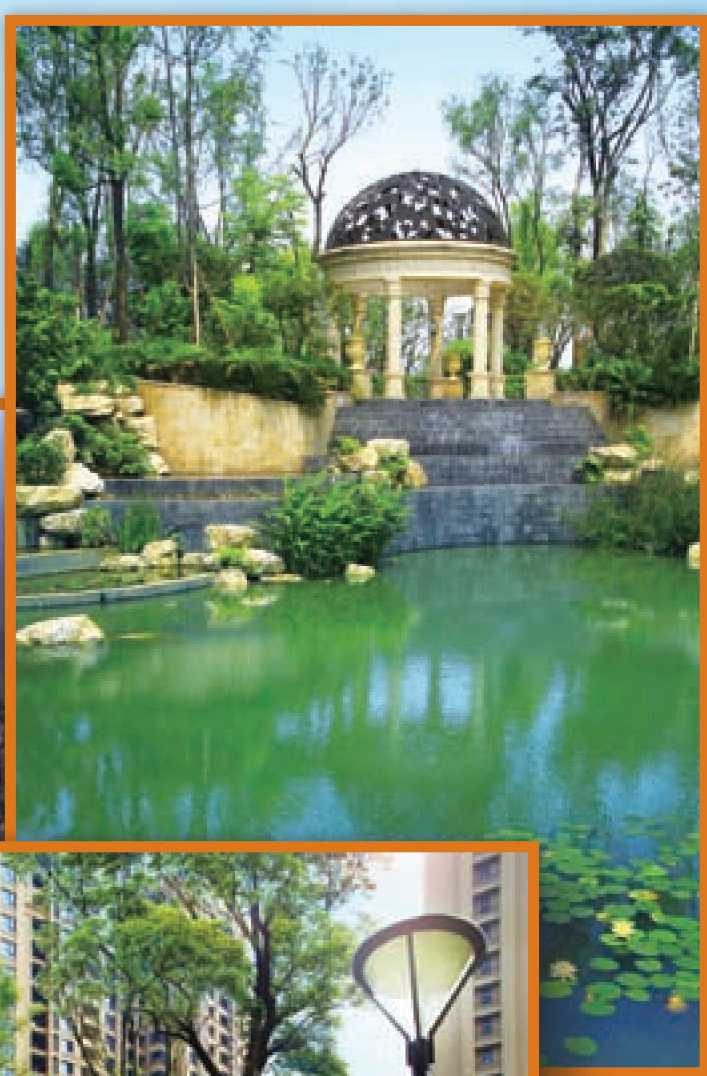
* Net debt to shareholders' funds ratio = (Total liabilities – Cash and bank balances) / Shareholders' funds

Note: The data for years 2012 to 2015 set out above are extracted from the audited consolidated financial statements of the Group for the relevant years after adjusting retrospectively for the effects of change in presentational currency from Hong Kong dollar to Renminbi adopted in year 2016, while for years 2016 and 2012, adjustments are also made to reflect the results of discontinued operation in those years on a line by line basis instead of as a single line item. The adjustments made on the results of discontinued operation is not a standard presentation method under Hong Kong Financial Reporting Standards.

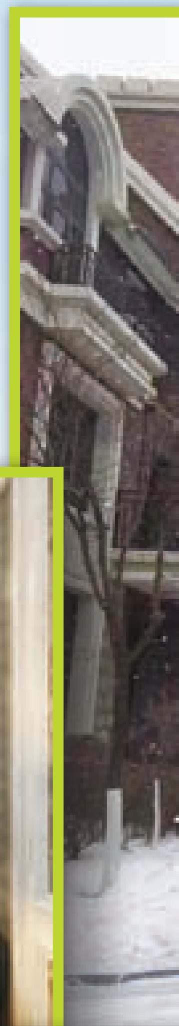
Shanghai
Project

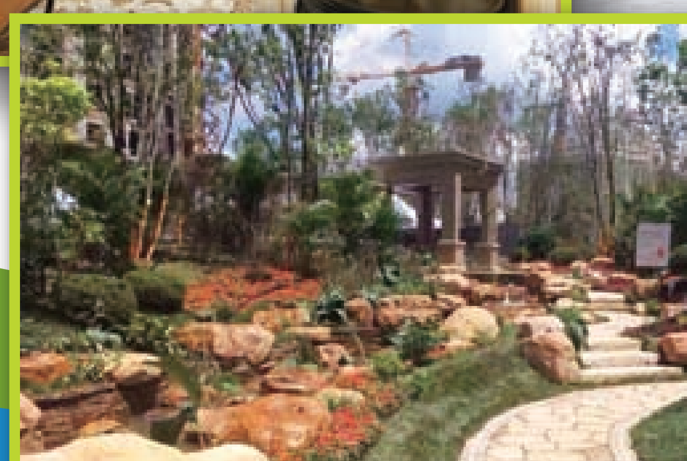


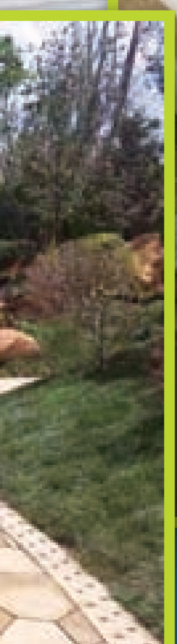
Chengdu
Project

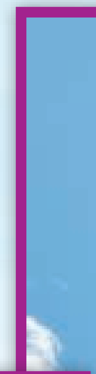

Shenyang
Project







United Kingdom
Project



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I would like to present the annual report of SRE Group Limited for the year ended 31 December 2016 to you.

Chairman's Statement

Business Review

In 2016, the macro-economy of the PRC recovered from the bottom; the policy of reducing property inventory continued to gain traction; the transactions in real estate recovered steadily; while the first-tier cities were leading in transaction volume and price, home prices in second-tier and third-tier cities were stabilized with increased sales volume. The Group strengthened its sales efforts for its projects under construction and achieved a steady growth in contract sales; and made efforts to improve operation for investment properties including Oasis Central Ring Centre and Shenyang Rich Gate with results started stabilizing; while improving the results in sales properties and investment properties, the Group timely optimized its development strategy by making an early move to capitalize on some of its assets where were selling at a high price to secure its income and cash flow. At the same time, the Group made excellent achievement in expanding its investment in the year with a total investment of approximately RMB4 billion, and established its business presence overseas in London and Sydney. The Group's operation now covers multiple lines including primary development, commercial, office and residential properties and it puts into practice a light assets and fund-type business model.

In 2016, the Group's major projects available for sale were Shanghai Albany Oasis Garden, Shenyang Albany Oasis Garden, Shanghai Huating Project, Shanghai Oasis Central Ring Centre, Chengdu Albany Oasis Garden and Jiaxing Project. In 2016, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB7.640 billion, with a total gross floor area of approximately 213,704 square meters.

Project Company	Amount of Sales Contracts Signed *(RMB'000)*	Contractual Gross Area *(m^2)*
Shanghai Albany Oasis Garden	5,473,400	70,909
Shenyang Albany Oasis Garden	627,578	69,198
Shanghai Huating Project	621,883	6,405
Shanghai Oasis Central Ring Centre	237,671	5,196
Chengdu Albany Oasis Garden	194,635	33,050
Jiaxing Project	123,386	14,736
Wuxi Jiangnan Rich Gate	76,460	7,043
Other Projects	285,333	7,167
Total	7,640,346	213,704

The turnaround in profit in the year was mainly due to: (i) improvement in the Group's overall operational efficiency and (ii) reduction in overall interest expense incurred through replacement of original borrowings of higher interest rates with new borrowings of lower interest rates. The reduction in overall interest expense incurred has not been able to flow through to the income statement completely due to a much lesser amount of capitalised interest, but relative to the revenue amount, there has been a reduction in the percentage of finance costs incurred.

Revenue	**2016** ***(RMB'000)***	2015 *(RMB'000)*
Revenue from sale of properties	**3,253,664**	1,018,681
Revenue from property leasing	**77,220**	95,694
Revenue from property management	**97,390**	141,616
Revenue from construction of infrastructure for an intelligent network	**27,947**	7,364
Other revenue	**29,281**	70,842
Less: Tax and surcharges	**(121,731)**	(76,312)
Total revenue	**3,363,771**	1,257,885

Chairman's Statement

Development Projects

Our development projects mainly included Shanghai Huating Project, Shanghai Rich Gate I, Shenyang Albany Oasis Garden and Chengdu Albany Oasis Garden, etc.

Progress of Relocation

Shanghai Rich Gate I (Qinhai Oasis Garden)

As at the end of June 2016, 891 households and enterprises with total area of 7,000 m^2 were relocated for Shanghai Rich Gate I; 1,003 households were to be relocated. As at 28 April 2016, the consent rate for the first round of consultation on house expropriation was 94.45%. The Huangpu Building Expropriation Office announced on 2 December 2016 that as at 24 November 2016, the signing percentage of expropriation compensation agreement for residential housing (conditional) of this land lot was over 85%; the building expropriation compensation agreement for the old town area redevelopment project of the land lot at 717-719 Daxing Street, Huangpu District became effective.

Shenyang Albany Oasis Garden

As at the end of December 2016, Shenyang Albany Oasis Garden had signed relocation contracts with 1,400 households and 24 enterprises and schools, with negotiations for 64 households and 1 enterprise still in progress. The relocation was about 96% completed for households and about 96% completed for enterprises and schools.

Progress of Construction

Shanghai Huating Project

Blocks 1 to 7 of Shanghai Huating Project had been completed and delivery began in July 2016.

Chengdu Albany Oasis Garden

Blocks 9, 10, 13 and 14 of Phase II of Chengdu Albany Oasis Garden had been completed and delivery began in June 2016.

Shenyang Albany Oasis Garden

The total gross floor area of Phase II is 264,246 m^2, and is divided into Section A and Section B. As at the end of 2016, Section A of Phase II was completed and delivered to owners; Blocks 7 and 9 in Section B of Phase II were about 95% completed, and Block 8 was about 70% completed.

Land Bank

As at 31 December 2016, the Group owned a land bank with a total gross floor area of approximately 2.82 million m^2 in Shanghai, Shenyang, Chengdu, Dalian, Changsha, the UK, etc. The Group focuses on first-tier cities and cities with development potential and commits to discover assets with value underestimated or enhancement potential. In addition, the Group is actively developing property projects in core cities overseas. Recently, the Group invested in a high-end residential project in the city center of San Francisco, the US with a site area of approximately 1,913 m^2, planned total gross floor area of approximately 31,146 m^2 and saleable area of approximately 21,446 m^2 in around 20 storeys. The project is planned to have 120 high class apartments targeting high net-worth individuals. Currently, the project plan has been approved.

Commercial Property Operation

During 2016, the Group continued to enhance the management and operation of its commercial properties to cope with the changing market conditions and opportunities, expeditiously adjusted the operation strategies, utilized its brand advantages and management capabilities, and strived to improve profitability with the benefits of the experiences earned.

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, the Oasis Central Ring Centre, with its high quality Grade 5A office buildings well equipped with all sorts of facilities, it has attracted an increasing number of enterprises to move in.

During 2016, Oasis Central Ring Centre had made tremendous efforts in attracting tenants. Currently, commercial and office spaces of 38,000 m^2, and an underground parking garage of 57,000 m^2 are for lease. As at 31 December 2016, the occupancy rate of Oasis Central Ring Centre reached 89% with a total rental income of RMB48.21 million for year 2016.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall offers a wide range of varieties, such as shopping, fine food, leisure, entertainment, culture. As of 31 December 2016, a total area of 69,857 m^2 were leased, accounting for 62% of the total rentable area, with rental income of RMB17.28 million and operating revenue totalled RMB32.96 million for year 2016.

41 Tower Hill Project in the UK

The project is located on the east side of the City of London. It is a freehold property with a site area of approximately 7,000 m^2, and comprises an existing office building and an adjoining car park. Currently, the office has a floor area of approximately 15,509 m^2 (166,940 square feet); gross floor area of approximately 21,189 m^2 (228,075 square feet). The office building is leased to Société Générale for a term of about 4 years expiring in March 2020. During the term, it may be re-planned to increase area, for renovation or for overall development.

12 Moorgate Project in the UK

The project is located in the core district of the City of London (EC2), which is a global financial and insurance center. It is a freehold property developed in 1998 with 6 floors and one basement. The property has a rentable area of approximately 3,151 m^2 (33,941 square feet) for office use. Its existing tenant is Schroders PLC, a renowned global wealth management company, with a remaining lease term of 7 years.

Operation of Light-asset Projects

In 2016, the Group proactively explored the light-asset operation model, and attempted to coordinate with banks and asset management companies and involved in advance by the means of acquiring debentures or right of return. The Group obtained assets of excellent quality by discussion and transfer or legal processes, and leveraged on the brand advantages of the Group and the experience of high-end real estate development and management to achieve profits.

Ningbo Investment Centre

In December 2016, Ningbo Meishan Baoshuigangqu Zhiao Investment Centre ("Ningbo Investment Centre") was established, in which the Group (as a general partner) and inferior limited partners jointly held approximately 19% of its capital. The Group acquired the right of return of the property projects from Minsheng Bank after the establishment of Ningbo Investment Centre. The details in relation to the property projects are set out as follows:

1. ***Minsheng Garden Project***

   Minsheng Garden Project, which comprises of available-for-sale apartments, townhouses and a commercial bulding, is located in Mapo Town, Shunyi District, Beijing City with approximately 85,529m^2 site area. Its construction has been completed.

2. ***Shunyi Fenglin Project***

   Shunyi Fenglin Project, which comprises of available-for-sale villas, is located in Mapo Town, Shunyi District, Beijing City with approximately 61,226m^2 site area. Its construction has been completed.

Chairman's Statement

3. ***Xiangzhang Garden Project***

   Xiangzhang Garden Project, which comprises of commercial apartments, commercial flats and carparks, is located within the core business circle of Nanjing Road West, Jingan District, Shanghai City, right next to Plaza 66 with approximately 5,494 m^2 site area and approximately 37,282 m^2 gross floor area. The civil and electrical engineering are close to completion, while renovation work is currently in progress.

4. ***Shenzhen Project***

   Shenzhen Project is located at an excellent position inside the Shekou Industrial Zone, Shenzhen City and is adjacent to Nanshan Park. The project is expected to comprise of approximately 8,808 m^2 of residential properties and approximately 2,266 m^2 of carparks.

Secured loan package from ICBC

The pledged properties of the loan package are mainly located in the core areas of Pudong New District and Baoshan District, Shanghai City. The properties are commercial items with approximately 12,830 m^2 gross floor area.

Secured loan package from CMSB

The pledged properties of the loan package are mainly located in Caolu Town, Pudong New District, Shanghai City, next to tertiary institutions. The properties are solely residential items with approximately 13,334 m^2 gross floor area.

New Business

Darun Yunshang Project

In March 2016, a contract was signed by the Group for Darun Yunshang project to enter into real estate related internet and financial sector. The Group holds 12% equity interest in Darun Technology Company (大潤科技公司), and the capital increase was completed. The Group holds 80% equity interest in a factoring company. In September 2016, the factoring company obtained approval from Wuxi Municipal Bureau of Commerce for its establishment. On 10 February 2017, the factoring company obtained business licence and completed capital verification. Currently, the factoring company is handling low-risk credit business of RMB100 million, and the operation preparation work is basically completed with operation work progressing.

Yunnan Mingzhen Hospital Project

In March 2016, a contract was signed for Yunnan Mingzhen Hospital project, mainly operating Kunming Jianxing Tumour Hospital, and the Group holds 45% equity interest in the project. Currently, the capital increase was completed and the project has been put into normal operation.

Major Transactions

1. On 18 March 2016, All Pride Investments Limited (as the seller), an indirect subsidiary of the Company, entered into an equity transfer agreement with Great Wall Guofu Real Estate Co., Ltd. (as the purchaser), in relation to the disposal of 56% equity interest in Shanghai Skyway Hotel Co., Ltd. for a consideration of RMB643,104,000. Further details were set out in the announcement of the Company dated 18 March 2016. The transaction was completed in April 2016.

2. On 20 April 2016, the Company (as the purchaser) entered into an acquisition master agreement with China New Town Development Company Limited (as the seller) and SRE Investment Holding Limited in relation to the acquisition of 100% equity interest in each of Chengdu Shanghai Real Estate Co., Ltd. and Shanghai Lake Malaren Hospital Investment Co., Ltd. and 72.63% equity interest in each of Shanghai Lake Malaren Commercial Management Co., Ltd., Shanghai Lake Malaren Corporate Development Co., Ltd. and Shanghai Lake Malaren Real Estate Development Co., Ltd. and certain rights and obligations relating to the lease of Lake Malaren Golf Course, and repayment of the loans payable by the above companies to China New Town Development Company Limited and/or its subsidiaries for a total consideration of RMB1,315,198,723. Further details were set out in the announcement of the Company dated 20 April 2016.

3. On 2 September 2016, Cmsreuk Tower Hill Propco Limited (a wholly-owned subsidiary of the Company)(as the purchaser) entered into a sale and purchase agreement with Société Générale and SG Hambros Bank Limited (as the sellers) in relation to the acquisition of a 1.7 acre property site (located in an established commercial district in Tower Hill of London bounded by Minories to the west, Shorter Street to the south and Mansell Street to the east) with freehold interest and the leasehold interest in a strip of land to the north of the said freehold property, for a total consideration of £84,500,000. Further details were set out in the announcement of the Company dated 2 September 2016.

4. On 15 September 2016, Cmsreuk Moorgate Propco Limited (a wholly-owned subsidiary of the Company)(as the purchaser) entered into a sale and purchase agreement with aik Immobilien-Investmentgesellschaft mbH (as the seller) in relation to the acquisition of the freehold property known as 12 Moorgate, London EC2R 6DA and registered at the Land Registry of the United Kingdom under the title number 141657 for a total consideration of £32,500,000. Further details were set out in the announcement of the Company dated 15 September 2016.

5. On 29 December 2016, Yingchuang Investment Management Co., Ltd. and Shanghai Shangpan Investment Management Co., Ltd. (an indirect wholly-owned subsidiary of the Company)(as general partners) entered into a partnership agreement with Huaneng Guicheng Trust Co., Ltd., Shanghai Oasis Garden Real Estate Co., Ltd. (a subsidiary of the Company) and Ningbo Meishan Baoshuigangqu Zhiao Investment Centre (a subsidiary of the Company) (as limited partners) in relation to the formation of a limited partnership enterprise in the PRC with the total capital commitment of RMB5,116,000,002 for the acquisition from China Minsheng Banking Corp., Ltd. of the right of return of certain property projects, i.e. to receive all proceeds derived from the development, construction, renovation, maintenance, property management, lease, sale, use and disposal of such projects located in Beijing, Shanghai and Shenzhen. Further details were set out in the announcement of the Company dated 29 December 2016.

6. On 29 December 2016, the Company (as representative of the sellers) and Shanghai Zhongchong Binjiang Industrial Development Co., Ltd.(as the purchaser) entered into a cooperation framework agreement, pursuant to which the Company agreed to procure the sellers to sell, and the purchaser agreed to acquire a total of 49% equity interest in Shanghai Jinxin Real Estate Co., Ltd. (as the target company) for a total consideration of RMB2,305 million. Upon completion of the disposal, the Company will, through its subsidiaries, still hold 51% equity interest in the target company. As such, the parties agreed to cooperate in the Qinhai Oasis Garden Project being developed by the target company in terms of construction capital injection, housing requisition, demolition and relocation, as well as subsequent development, upon completion of the disposal. Further details were disclosed in the announcement of the Company dated 29 December 2016.

The Group's Awards

1. At the 2016 Golden Bricks Forum (2016金磚論壇), SRE Group was named "Most Valuable Property and Financial Institution of 2016".

2. Shenyang Albany Oasis Garden was awarded "Preferred Property" of 2016 China Property Billboard, and named "2016 Ingenuity Property" on the 2016 Property Honor List of Liaoshen Evening Post and "2016 Consumers' Most Satisfying Property of Shenyang"; Block 9 of Phase II was named a Project of Quality Structure in Liaoning Province, and Block B7, the basement construction, Block 3 of Phase II and works for Carrefour (家樂福) were named Projects of Quality Structure in Shenyang City.

3. The Shanghai Lake Malaren Convention Centre was rated as an advanced unit by the Tourism Development Association of Baoshan District of Shanghai in 2016.

4. The North Forest Course of the Shanghai Lake Malaren Golf Club was rated one of "China Top Ten New Golf Courses" by Golf magazine of China, and its Masters Course was ranked one of "China Top 50 Golf Courses" in 2016.

5. The Shanghai Albany Oasis Garden was awarded the Golden Prize of the 9th "Residential Property of Excellence in Shanghai".

Chairman's Statement

Business Outlook

In 2016, the property policies experienced relaxation and subsequent tightening in hot spot cities. It was proposed at the "Two Sessions" to implement varying policies according to individual cities and destocking, but as property and land prices rose rapidly in hot spot cities, policies have become more obviously diverged. On the one hand, control policies in hot spot cities have been tightened continuously, with restriction of purchase and loan and other control measures escalating, to suppress speculative investment and demand and prevent market risk. On the other hand, destocking strategies were adhered to in third- and fourth-tier cities, striving to improve the market environment on both supply and demand. At the same time, the central government strengthened the establishment of property mechanism with long-term effectiveness, with regional integration and new urbanization pushing forward, in building a good environment for the long-term development of the property industry. At the Central Economic Work Conference held in mid-December 2016, it was determined that the main tone for 2017 is to pursue economic progress with stability, fiscal policy will be more proactive and effective and supply-side reform will be deepened to revive the real economy. This is conducive for the creation of a good environment for the steady development of the property market.

The Group together with its joint ventures and associates will grasp the favourable opportunities of the market, continue to allow full play to the advantage of the quality brand name and strengthen its sales efforts. At the same time, the Group will enhance its cost control and process optimization by ways of management optimization and internet to facilitate the refined operation and pursue healthy profit, cash flows and sales scale. In addition, the Group will actively expand its financing means and attempt bond issuance overseas. It will constantly lower finance costs and utilize domestic and foreign capital to fulfil its capital requirements in China and overseas.

As urbanization in China is entering a steady stage, the property industry will enter into a silver era with gradual in regions and enterprises with transformation and upgrade becoming consensus of the industry. In 2016, with the resources support and strategic guidance of China Minsheng Investment, in accordance with the development trend of the industry and drawing on SRE's high-end property development and management experience, the Group's strategic positioning of transforming from a traditional developer into an international financial and real estate platform was basically established. The Group will take real estate asset management as its principal operating strategy, and focus on first-tier cities in its real estate core business while actively developing the overseas market to achieve an asset management scale of RMB100 billion within five years. In 2017, as the beginning year of the formation of the said strategic positioning, the Group will, on the basis of adhering to the strategic goal of "one platform, two strategies and three target markets", emphasize on the capability of integrating resources and realize steady growth in profit and significant expansion of assets, striving to accomplish a good beginning in transformation and development. The Group will expedite its adaptation to the new environment, grasp the opportunity of industrial transformation and gradually reduce its reliance on the "heavy assets" operating model, while expanding investment businesses and accelerating the exit from investment to realize gains process by adopting the "financing, investment, management and exit" approach to speed up the turnover and operate in a "light and heavy assets in parallel" model. In terms of new sources of growth, the Group will actively develop new projects focusing on first-tier cities and use its unique investment insight to discover assets with value underestimated or enhancement potential through multiple channels including merger and acquisition and partnership. Putting into practice the "Going abroad" strategy, the Group will seek high quality assets overseas and establish business presence in influential oversea core cities such as Sydney, London and San Francisco, in an effort of pursuing steady revenue with manageable risk and diversification of currency depreciation risk. We will also closely monitor the "One belt, One road" strategy and related policies and initiatives and identify prime projects so as to reap the bonus of the "One belt, One road" strategy early. Meanwhile, the Group will prudently attempt diversification and cultivate new growing industries including real estate for education, logistics and other sectors, and enter such markets gradually and at appropriate times.

Acknowledgement

I would like to take this opportunity to express my gratitude to the colleagues in the Board and the management team, and convey my respect to all front-line staff members. We will face various challenges in the new year, but we firmly believe that under the guidance of the strategies and with the unremitting efforts of all staff, the SRE Group will surely enjoy a brighter future.

He Binwu

Chairman

27 March 2017

Management Discussion and Analysis

Financial Review

Revenue and profit attributable to shareholders

In 2016, the Group recorded net revenue of approximately RMB3,364 million (2015: RMB1,258 million), which represents an increase by approximately 167% compared with that of 2015. Profit attributable to owners of the Company in 2016 was approximately RMB232 million while loss attributable to owners of the Company in 2015 was approximately RMB1,899 million. The turnaround in profit in the year was mainly due to the continuous improvement in the Group's overall operational efficiency and reduction in overall interest expense incurred through replacement of original borrowings of higher interest rates with new borrowings of lower interest rates. The reduction in overall interest expense incurred has not been able to flow through to the income statement completely due to a much lesser amount of capitalised interest but relative to the revenue amount, there has been a reduction in the percentage of finance costs incurred.

Dividend

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: Nil).

Financial Resources and Liquidity

As at 31 December 2016, cash and bank balances amounted to approximately RMB1,513 million (2015: RMB2,555 million). The Group also purchased structured deposits issued by authorized commercial banks in the PRC which are redeemable on demand at the purchaser's discretion in accordance with the Group's treasury activities policy for the purpose of utilizing surplus cash reserves to earn higher returns with low credit risks. Working capital (net current assets) of the Group as at 31 December 2016 amounted to approximately RMB1,963 million (2015: RMB4,469 million), representing a decrease of 56% as compared with the preceding year, and the current ratio was approximately 1.17x (2015: 1.24x).

As at 31 December 2016, total liabilities to total equity decreased to 2.22x (2015: 3.33x). At the end of the financial period, the Group's gearing ratio was approximately 43% (2015: 49%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately RMB1,513 million) over total capital (total equity and net borrowings), and excludes assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

Employees

As at 31 December 2016, the Group had 625 (2015: 2,144) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately RMB145 million (2015: RMB131 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets and Contingent Liabilities

At the end of the financial period, total bank and other borrowings of approximately RMB1,928 million (2015: RMB8,919 million) were secured by pledge of the Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development for sale and equity interests in subsidiaries.

Management Discussion and Analysis

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB446 million and these contracts were still effective as at the close of business on 31 December 2016.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty as the principal of each of the mortgage loan is normally below 70% of sales price of the respective property at date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

Information on Business Review

The Group is committed to supporting the environmental sustainability. Being an integrated real estate developer specializing in property development business, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

Details of properties under development for sale:

Project	Location	Land Use	GFA (sqm)	Expected Year of Completion	Completion Rate of Construction	Holding Proportion of SRE
Shenyang Albany Garden	South Heping Road, Heping District, Shenyang City, Liaoning Province, The PRC	Residential Phase IIB	123,070	2017	85%	97.50%
		Commercial Phase IIB	3,003	2017	85%	97.50%
		Commercial Phase IIIA	35,913	2017	90%	97.50%
		Residential Phase IIIB/C	260,333	Not yet decided	0%	97.50%
		Commercial Phase IIIB/C	9,444	Not yet decided	0%	97.50%
Chengdu Albany Garden	555 Ganghua Road, Hongguang Town, Pi County, Chengdu City, Sichuan Province, The PRC	Residential Phase II Section 2	94,887	2018	0%	100%

Management Discussion and Analysis

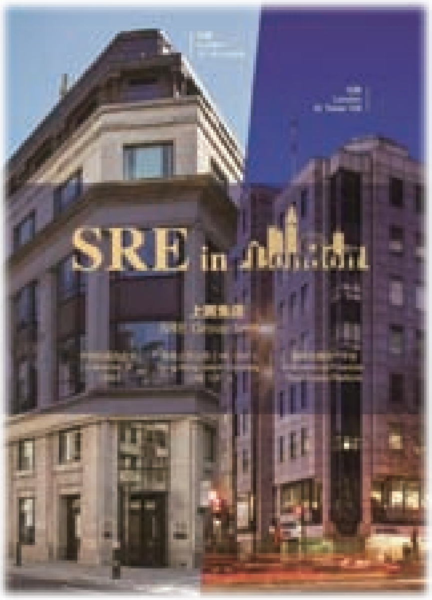
Project	Location	Land Use	GFA (sqm)	Expected Year of Completion	Completion Rate of Construction	Holding Proportion of SRE
Rich Gate I (Qinhai Oasis Garden)	Daxing Road, Huangpu District, Shanghai, The PRC	Residential	75,757	2019	0%	100%
		Office	41,820	2019	0%	100%
		Service Apartment	12,000	2019	0%	100%
		Underground	83,000	2019	0%	100%
Shenyang Yosemite Oasis Community	Lee Sang New Town, Dongling District, Shenyang City, Liaoning Province, The PRC	Town House Phase IIB (Shuangxing section)	100,969	2017	90%	98.95%
		Residential Phase III	207,565	Not yet decided	0%	98.95%
Jiaxing Project	No.1, Linghu Road, Nanhu District, Jiaxing City, Zhejiang Province, The PRC	Residential and Commercial – 1# Phase II	73,144	2018	0%	98.75%
Wuxi Yongqing	Within Wuxi Hongshan New Town, The PRC	Residential	204,219	2018	0%	98.75%
Dalian Oasis City Garden	Dalian WaFang Dian City in Liaoning Province, West outer ring street west of south of north ring Road, The PRC	Residential Phase I	154,001	2018	0%	50.36%
		Commercial Phase I	20,234	2018	0%	50.36%
		Underground Phase I	78,039	2018	0%	50.36%
		Office Phase II	18,000	2019	0%	50.36%
		Commercial Phase II	65,136	2019	0%	50.36%
		Underground Phase II	47,950	2019	0%	50.36%
		Residential Phase III	271,623	2020	0%	50.36%
		Underground Phase III	102,830	2020	0%	50.36%
Shanghai Albany Oasis Garden	No. 699, Zhong Xing Road, Zhabei District, Shanghai, The PRC	Residential Phase IV	40,000	2021	0%	40%
		Commercials	40,000	2021	0%	40%
		Hotel & Office	100,500	2021	0%	40%
The Atelier	45-53 Sinclair Road, London, United Kingdom	Residential	6,397	2019	0%	92.91%
SRE Pudong Coastal Project (previously named as "Pudong Project")	Yongfa Road, Pudong New District, Shanghai, The PRC	Residential	58,178	Not yet decided	0%	98.75%

Management Discussion and Analysis

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shenyang Richgate	No.118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, The PRC	Commercial	245,252	100%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail & Office	32,602	95.79%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail	6,499	95.79%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Car Park	57,045	95.79%
Unit 2605, 2606, 26(3A), 2803, 2806 and 28(3A) of Universal Mansion	No. 172 Yuyuan Road, Jing'An District, Shanghai, The PRC	Office	732	98%
Transportation Hub of Lake Malaren	No. 1088, Luofen Road, Baoshan District, Shanghai, The PRC	Commercial	29,398	72.63%
Retail Street of Lake Malaren	Lane 989, Luofen Road and Lane 555, Luofen Road, Baoshan District, Shanghai, The PRC	Commercial	72,948	72.63%
41 Tower Hill	41 Tower Hill, London, EC3N 4SG	Office/Car Park	21,189	100%
12 Moorgate	12 Moorgate London EC2R 6DA	Office	3,151	100%

Environmental, Social and Governance Report



SRE Group Limited (the "Company") was established in 1993 and was listed on the Stock Exchange (Stock Code: HK.1207) in 1999. It is currently a subsidiary under China Minsheng Jiaye Investment Co., Ltd. The Company and its subsidiaries (the "Group") are principally engaged in property development with commercial properties such as office buildings, hotels and shopping malls as main development and operation orientations. Its projects are located in Shanghai, Shenyang and Wuxi. After more than twenty years of development, the Group has developed Oasis Garden, Rich Gate, Albany and other high-end property brands. It has been awarded "China Top 100 Enterprises in Property Development" for many times. At the 2016 Golden Bricks Forum (2016 金磚論壇) held by Yicai.com on 10 November 2016, SRE Group was awarded "Most Valuable Property and Financial Institute (最具價值房地產金融機構)".

According to the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group prepared the 2016 Environmental, Social and Governance Report (the "ESG Report") covering the period from 1 January 2016 to 31 December 2016. This report explains the concept of the Group on sustainable development and social responsibility based on the two big categories of environment and society. It covers the principal businesses of the Group, namely property development and property leasing, as well as commercial properties such as Crowne Plaza Lake Malaren and golf courses.

The board of directors (the "Board") of the Group supports the commitments made by the Company in performing enterprise social responsibilities and assumes all responsibilities to the environmental, social and governance strategies of the Group and the reporting of them. The Board is responsible for the appraisal and determination of the environmental, social and governance risks on the Group and the establishment of an appropriate and effective system on the management and internal monitoring of environmental, social and governance risks. The management of the Group shall provide a confirmation on whether relevant systems are effective. In order to fully conduct the management of environmental, social and governance matters, the Group established an ESG working group, which is led by the risk management department of the Group and involves the asset operation department, the quality management department, the comprehensive and administrative department, the cost and contract department, the financial department as well as other departments. The responsible persons of all departments directly participate in it and special persons are designated to conduct the ESG management and reporting. The ESG working group regularly reports to the management of the Company and make appropriate improvement suggestions.

The Group adheres to the environmental, social and governance management guideline for sustainability and strives to provide safe, green and energy-saving residential properties to clients. It also offers a safe and healthy working environment and scientific and practical training plans for employees to promote the establishment of transparent, standard and environment-friendly supply chains and an active and healthy industrial environment. The Group also actively participates in various charitable activities to perform its enterprise social responsibilities.

The Group has adopted policies and procedures to appraise and improve its risk management and internal monitoring functions. The Board of the Company deliberates the design, implementation and supervision of the risk management and internal control system of the Group. For details, please refer to the Corporate Governance Report in the 2016 Annual Report of the Company.

A Environment

With its decades of experiences in design and construction, project planning and design of the Group always follows the principles of being responsible for natural environment and adjusting measures to local conditions with meticulous design. It also integrates land-saving, energy-saving, water-saving, material-saving, interior environmental technologies, green construction and operation management with the positioning of projects. The Group adheres to the concept of sustainable development, strictly abides by relevant laws and regulations of the state and strive to reduce the effects of the operation activities on the environment and build a green industrial environment.

A1 Emissions

The Group strictly follows the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations and strictly controls waste gas, greenhouse gases, waste water, hazardous and nonhazardous waste as well as other emissions from the operation activities. The Group sets requirements on emissions on the general contractor of construction in the Measures on the Assessment of Project Management to prevent environmental pollution from the source. The Group also adopted requirements on the control of dusts, noises and water pollution on the field in the Guideline on Safe and Civilized Construction and Inspection. In addition, the Crowne Plaza under the Group has formulated the Procedures on the Management of Waste Water and Gas Emission and Noise Control for Hotels to strengthen the environmental management in the operation of the hotel.

The emission of waste gas by the Group is mainly from fuel combustion in the construction of buildings and the operation of properties, the emission of dusts from the construction and the emission of kitchen fumes. The Group strictly abides by the Air Pollution Prevention Law of the People's Republic of China and other relevant laws and regulations and adopts various measures to prevent and control the emission of waste gas. For example, the Lake Malaren Golf Club installed fumes purification equipment based on the operation size. Fumes are emitted through the special smoke channel at high altitudes. The discharge outlet is set at over 20 meters from sensitive buildings such as residential buildings and the maximum emission concentration of fumes and the minimum removal efficiency of fumes purification equipment meet the requirements of the Standard on the Emission of Fumes for the Catering Industry (GB18483-2001).

The emission of waste water by the Group is mainly from industrial waste water and domestic waste water from the construction and the operation of properties. The Group strictly abides by the Water Pollution Prevention Law of the People's Republic of China and adopts corresponding control and prevention measures on waste water. The hotels under the Group go through the monitoring on all indicators on the emission of waste water from hotels conducted by legally qualified authorities approved by the government once every year to ensure that the emission of waste water meets laws and regulations as well as other requirements. The golf courses and hotels adopted separate systems for the discharging of rainwater and waste water. The waste water with oil from kitchens will be handled by oil separators or oil-water separators to meet the Standard on the Quality of Water to Be Discharged into Urban Sewers before emission.

The emission of greenhouse gases by the Group mainly is the direct emission of greenhouse gases caused by the consumption of fuels (such as natural gas) and the indirect emission of greenhouse gases caused by the consumption of electricity in the construction and operation. The Group adopted various active measures to promote green production and strengthen energy saving and emission reduction to reduce the emission of greenhouse gases by the Group.

The emission of solid wastes by the Group mainly includes earthwork and construction waste from the construction and domestic wastes, kitchen wastes, the packages of certain pesticide and fertilizers and other hazardous wastes in the operation of properties. The Group includes waste collection into the Measures on the Assessment of Project Management as an indicator for the management of safe and civilized construction and requires construction companies collecting and picking up construction waste in time. The Group disposes of domestic wastes according to the provisions of the Solid Waste Pollution Prevention Law and deals with kitchen wastes according to relevant provisions of the Measures on the Disposal of Kitchen Wastes in Shanghai. The Group requires collecting solid wastes in different categories and entrusts qualified agencies designated by municipal authorities on environment to deal with them. For hazardous solid wastes, the Group identifies them based on the Category of Hazardous Wastes. For waste packages to fertilizers and pesticides, it seeks qualified agencies to recycle and dispose of them. For hazardous wastes from the construction process, the Company requires the contractor disposing of them strictly according to the requirements of laws and regulations of the state on the industry.

A2 Use of Resources

The Group strictly abides by the Energy Saving Law of the People's Republic of China and other relevant laws and regulations and implements the responsibilities to the environment in all details in routine operation to enhance the saving awareness of employees and popularize the awareness on green operation in a practical way. It requires all staff participating in water-saving, electricity-saving and energy-saving work to ensure that everyone is responsible for saving and makes their own contributions.

The main energy consumption of the Group is electricity consumption in the construction and operation while the water consumption is mainly the domestic water in the construction and operation. In order to implement the scientific outlook on development and strengthen energy-saving management in a practical way and promote the establishment of green industrial chains, the Group actively monitors the energy and water saving in the construction process of the general contractor and project companies and adopted it in the Measures on the Assessment of Project Management.

The Group also strengthens the monitoring on internal energy consumption during its own operation. Taking Crowne Plaza as an example, the hotel formulated the System on Energy-saving, Electricity-Saving and Water-Saving in the Hotel and made corresponding management provisions on the saving of electricity, water and resources.

Electricity-saving management system

- Save electricity consumption on lighting and use energy-saving lights in and out of the hotel. Make full use of natural light during daytime and reduce the number of lights during night. Prevent the use of eternal lights;
- Save electricity consumption on office equipment and set the energy-saving model when they are not in use. Newly purchased electric equipment must meet the stipulated energy labels and turn off electric equipment during non-working hours;
- Speed up transformation of electric equipment and conduct energy-saving transformation based on local conditions and ensure the transformation or updating of non-energy-saving lights and other equipment with high energy consumption under progress.

Water-saving management system

- Save water in bathrooms: strengthen routine maintenance and management of water equipment and prevent water running for long time;
- Save water for greens: encourage cycling use of water; use more rainwater or recycled water for greens; promote sprinkling irrigation, micro irrigation, trickle irrigation and other water-saving irrigation methods and prevent surge flow irrigation with tap water;
- Strengthen the repairing and transformation of facilities: conduct regular inspection and repairing on water supply facilities, carefully conduct inspection on pipe network and repair in time when problems are found and prevent dripping and leakage;
- Conduct regular observation and quantitative analysis: arrange special staff to regularly record the readings of water meters and compare and analyze the quantity and take effective measure in time if abnormal conditions are found.

Resources-saving management system

- Standardize the procurement of office products, strictly approve and control the quantity of office products issued, encourage recycled use, collect waste paper and establish the system for regular collection;
- Save communication fees and appropriately choose fixed telephone, mobile phone, ordinary mails and other communication means based on working demands.
- Properly arrange work and reduce the use of vehicles to reduce oil and road tolls.

A3 Environment and Natural Resources

Major effects of the environment and natural resources of the Group have been explained in A1 Emissions and A2 Use of Resources. In addition, the Lake Malaren golf course adopts pesticides and fertilizers in its routine operation. To protect the biodiversity surrounding the area and prevent the effects on the environment and natural resources, the Group strives to minimize issues on environmental protection and has formulated a series of management measures, including:

- Strictly control the issuing and collection of pesticides and fertilizers. The issuing of pesticides and fertilizers will be regulated by the director supervisor and environment-friendly pesticides shall be adopted;
- Store the bottles and bags for pesticides in different categories and deliver them to professional agencies for handling;
- Regularly collect water and soil samples from the course and deliver them to professional inspection departments for testing and handle problems in time after being found;
- Strengthen the publicity and promotion of environmental protection and raise the environmental protection awareness of the staff.

B Society

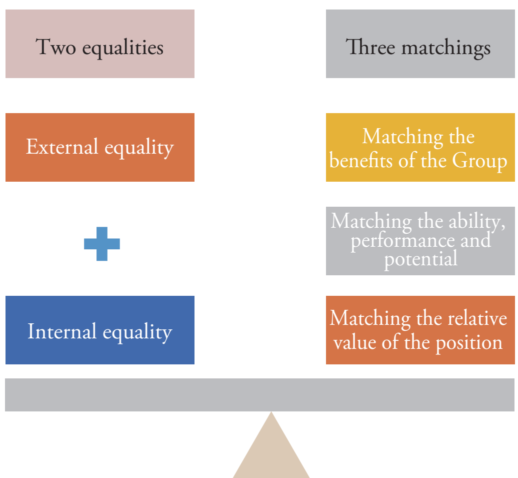
Based on the firm human resources infrastructure and teams management, the Company follows the guidance of system improvement and cultural construction, systematically balance the common development wishes of the Company and the staff and guide the staff actively integrating personal pursuits into the long-term development of the enterprise to build a simple, transparent, sunshine and active working atmosphere. The Group improves the satisfaction and sense of belonging of the staff through the improvement the performance appraisal and remuneration and welfare systems and the improvement of the working environment as well as diversified staff activities.

B1 Employment

The Group firmly believes that talents are important assets of the Group. According to the requirements of the Labour Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China and other laws and regulations, the Group formulated the Measures on Attendance and Holidays of SRE Group Limited, the Measures on Recruitment of SRE Group Limited, the Measures on Performance Assessment of Staff of SRE Group, the Measures on Positions and Levels of SRE Group as well as other systems.

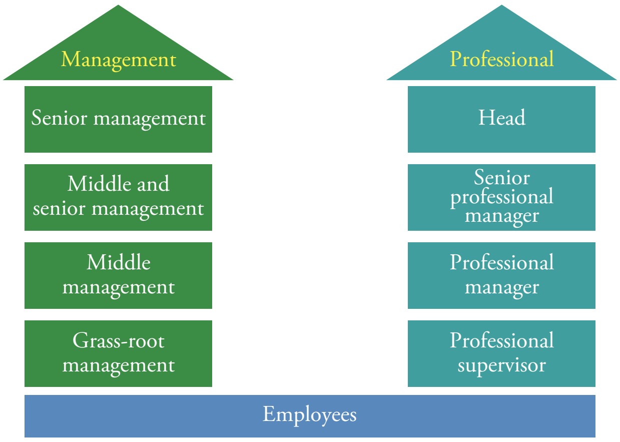
Remuneration management

The remuneration of the Group composes the total cash remuneration and the medium-and long-term incentives. The total cash remuneration is composed of fixed remuneration and variable remuneration while the medium-and long-term incentives mainly include follow-up investments, virtual equity bonus and equities. To establish a scientific, systematic and fair remuneration management system, the Group built a standard remuneration system and formulated the Remuneration System of SRE Group, which provides that the issuing of remuneration by the Group follows the principles of "two equalities" and "three matchings". The "two equalities" refer to internal equality and external equality. The external equality means that the remuneration of the Group shall be more competitive than other enterprises in the industry while the internal equality means that the internal remuneration of the Group shall reflect the value of the position and personal skills. The "three matchings" refer to that the individual remuneration matches the relative value of the position, the individual remuneration matches the ability, performance and potential and the total remuneration matches the benefits of the Group.



Recruitment, promotion and dismissal

To standardize the recruitment, establish a professional and vocational system for the introduction of talents and further enhance the strength of the talents team of the Company and achieve sustainable development, the Group formulated the Measures on the Recruitment of SRE Group Limited. Following the principles of advance planning, wide hunting and strict enrollment, matching the staff with the position as well as fairness and transparency, it implements a recruitment process with the orientation of human resources. The recruitment channels are wide and can attract talents with high potential. The position screening is fair and unified and only appropriate talents will be given the position. Meanwhile, the Group sets the "Hunt for Talent Prize" to encourage the staff to recommend peers or third-party talents with partnership experiences. The recommender will be given cash incentives after the recommended person is recruited and became a full-time employee after the expiry of the probation period. The group also established a talent pool. The materials about the approval on the recruitment are classified based on the year, profession, department and other indexes and filed for management. The resumes of those not recruited are adopted into the talent pool in different categories based on the profession, educational degree and other indexes.



Dual channels for career development of employees

For the promotion of staff and based on the current conditions of operation and management and key demands for strategic development, the Group sets the position order as management and professional technology order. The staff can shift from the single management channel to the dual-track vocational development path with management and professional technical staff.

The Group formulated a complete Dismissal Process of Employees of SRE Group, which standardizes the dismissal processes and guarantees that the interests of the employees and the Company will not be infringed.

Working hours

The Group implements the working system with forty hours each week. It also implements the system on statutory holidays and leaves. When the staff has to work overtime for working demands, it has to be approved by the responsible person of the department and fills in the Approval for Working Overtime for Staff. It will come into effect after being signed and approved by the responsible person of the department.

Holidays

The staff of the Group enjoys statutory holidays. The specific provisions will be adjusted according to relevant laws and policies of the state or the place where the Company is located. The holidays include statutory holidays, marital leaves, maternity leaves, breastfeeding leaves, sick leaves, medical treatment leaves, funeral leaves, work-related injuries leaves and annual paid leaves.

Equality and diversification

The Group adheres to equal employment. The Measures on Performance Assessment of Staff of SRE Group provides that the performance assessment follows the principle of equality and openness. It means that the performance appraiser shall be impartial and adopt same assessment criteria on the appraisee of the same category to conduct an overall, objective and impartial appraisal and assessment. The assessment process shall be open and transparent and the assessment results shall be signed by both parties for confirmation.

Meanwhile, the Measures on Recruitment of SRE Group Limited provides that the recruitment shall strictly comply with the following working disciplines: The recruitment shall be open, fair and impartial without candidates determined in advance. The members of the recruitment group shall be objective and impartial and shall not have discriminations or prejudices against the interviewees.

Other treatment and welfare

Besides statutory holidays, annual paid leaves and other social insurances and the housing provident fund, the Group also provides the staff with annual check-ups, heatstroke prevention subsidies, meals subsidies, transportation subsidies, communication subsidies, birthday welfare and other welfare for the staff.

Case: SRE Group Shenyang Rich Gate held Christmas activities in 2016
On 23 December 2016, the comprehensive management department of the SRE Group Shenyang Rich Gate held Christmas activities to thank all employees for their hard work and contributions, boost the morale of employees, strengthen internal communication, further improve the relationship of employees and further expand the contents of corporate culture.

B2 Health and Safety

As a responsible property developer, the Group strives to reduce the risks on occupational health and safety and constantly improves the system on the health and safety of employees and the routine management to create a safe, healthy and comfortable working environment for all employees.

Construction safety

The Group strictly abides by the Production Safety Law of the People's Republic of China and other relevant laws and regulations as well as the requirements related to safety management. It strengthens the awareness on red lines, sticks to the bottom line of safety, consistently improves the safety management system and the safety management performance. The Group requires each construction site formulating safe management objectives, setting and appraising production safety, establishing the safety production responsibility system, formulating safety technology processes, equipping with full-time safety officer and taking safety precautions into consideration in the arrangement and design of construction. Meanwhile, the Group also requires the construction site staff to carry on three-level safety education, requires the management to perform annual safety training, pre-shift safety disclosure record, inspect work license for special operation and establish industrial accident management archives according to the provisions.

In accordance with the requirements of the Standard on Construction Safety Inspection (JGJ59-99) and the Technical Code for Fire Safety at Construction Site (GB50720-2011), the Group formulated the Guidelines on Safe and Civilized Construction Inspection, which requires project companies to perform site safety and civilized contraction inspection led and organized by the responsible person of the project and attended by the general contractor and the responsible person of the supervision company on site at least once every month. It shall keep inspection records and inspect the completion of the rectification work and materials. The inspection covers every corner of the construction site, including civilized construction, construction elevators, tower cranes, construction equipment, scaffolds, pit supporting and formwork, water and electricity installation and fire safety. It lists 78 danger sources including insensitive leakage tripping as well as the list of corresponding danger sources to facilitate verification and investigation. The inspection results are shown in the form of scores. For sites with unsatisfactory scores, the supervision company is required to issue a notice on construction suspension and the construction can be resumed only after the construction company completes rectifications and passes the inspection.

Operation Safety

The Group abides by Law on the Prevention and Control of Occupational Diseases of the People's Republic of China and other laws and regulations on health and safety, provides safe, healthy and environmentally friendly working environment for the employees and promises to provide the relevant education and training for employees and raise the safe, healthy and environmentally friendly awareness of the employees.

In the Employee Manual, the Group sets requirements on the safety and health of employees during the working period. The employees are required to implement rules and regulations on safe production carefully, perform their own safety duties in a practical way, follow management and cooperate in completing safety inspection. They shall have the obligation to prohibit others' unsafe behaviors and report hidden dangers. The employees shall have the right to refuse commands against rules on safety production.

The Group identifies possible risks on the health and safety of the employees under the office environment, such as fire hazard, accidental injury and elevator faults. It takes targeted solutions and strengthens the training and education on employees. The Group requires the employees not to bring hazardous items to the office area, prohibits the employees from throwing inflammable items into dustbin and requires keeping paper and other inflammables away from power supply. The Group formulated the emergency procedures for personal injuries and takes scientific first aid measures for wounded personnel to protect the physical health of employees.

Exercise and fitness

The Group actively organizes the employees to carry out various athletic competitions for their mental and physical health and encourages the employees to actively participate in physical fitness activities.

Case: Friendly football match of employees of Shenyang team
In October 2016, the Shenyang team conducted an annual friendly football match in 2016. The activity enhanced brotherhood of the members of the team, showing the healthy and positive attitude towards life.

B3 Development and Training

Employees are key to the success of an enterprise. The Group creates an equal and fair working environment for employees. For the fostering and selection of talents, the Group consistently improves the overall quality of the team through consistent training on employees and inspiring the potential of employees. The Group consistently improves the construction of talent teams to maintain the leading advantages in labor performance and the comprehensive benefits of human resources and fully guarantee and promote the achievement of the strategic goals of the Company.

In order to facilitate new employees understanding the working process of their positions and help them work in role rapidly and undertake working tasks, the Group formulated the Measures on the Training of New Employees to standardize the training of new employees. The Group introduces all the relevant policies to new employees, demonstrates the corporate culture and long-term plans, increases employees' confidence in work, helps them understand the development path and sets the targets for occupational development through training.

Case: Develop activity for new employees of the Group in 2016
In order to improve the cohesiveness of the team and promote the communication among new employees, the Group conducted the development training on new employees in the second half of 2016 for new employees at key positions of all functional departments and operation divisions of the headquarters of the Group in December 2016. Through the internal training, new employees established a platform to know each other and help them improve the relationship, which laid a solid foundation for the future work and team coordination.

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In addition, during 2016, the Group conducted various trainings on occupational skills (such as the training on the management and trend of property operation and the training on the replacement of business tax with value-added tax and Gaodun finance), quality development (such as the training on development) and trainings on the implementation of rules and systems (the training on systems and information disclosure).

Case: Annual team development training conducted by the Group

In May 2016, the Group held the annual team development activity with the theme of "Strengthen Belief and Solidify Cooperation to Achieve Best Results" in Dongshan, Suzhou. A total of 78 employees participated in the training.

B4 Labour Standards

The Group strictly abides by the Employment Contract Law of the People's Republic of China, the Labour Law of the People's Republic of China, the Regulation on Prevention of Child Labour and other relevant laws and regulations and resolutely eliminates child labours and forced labours. In order to further strengthen relevant work, the Group appoints third-party companies to conduct background surveys on every employee and prepare reports for filing to prevent academic and age fraud and further eliminate the employment of child labours. In addition, the Group established the 24-hour working time and the application for working overtime to prevent breaching labour standards. It also made further provisions in the Measures on Attendance and Holidays of SRE Group Limited to safeguard the interests of employees in a practical way.

B5 Supply Chain Management

The Group continuously provides products and services with high cost performance and quality in the market. It consistently adheres to the concept of product responsibility for sustainable and conducts full cooperation with suppliers. Through the meticulous management and control of the full value chains in property development, it creates value for clients through client services in the design, construction, promotion and even the whole process.

The Group formulated the Details on the Operation of Invited Bidding of SRE Group, which standardizes the process of invited bidding and specifies the division of rights and responsibilities in invited bidding to improve the quality of the contracts signed, achieve the advance control on the plans in the contract, guarantee the development and construction of projects and effectively control the cost for the signing of contracts. It also formulated the Measures on Bidding and Procurement of SRE Group, which prepared series of sample and standard processes of the invitation for bids, including the records on the countersigning of tender drawings, the records of site survey and answering of questions, the answering and reply to questions, the records of bidding opening and evaluation, the records on clarification of inquiries, the technical mark sheet and the bidding evaluation report on technical bidding. To regulate the process of competitive negotiations, the Group formulated the Details on the Operation of Easy Bidding, which designed general sheets and bidding evaluation criteria for the qualification evaluation of suppliers based on the categories of construction, supply and installment (such as steel structure and aluminum doors and windows), equipment supply (including the supply and simple installment of equipment), agent for equipment supply, supervision, design and other categories.

Meanwhile, the Group includes the agreement on safety responsibilities, the performance guarantee and the integrity agreement into the bidding documents and sets environment, health and safety (EHS) requirements on contractors for construction. For example, it requires that the construction roads shall be tidy and clean, the drainage ditches on both sides of the main street meets standards, the safety protection measures are standard and equipped with security guards and marks, the construction site conducted closed management and safety production. It gradually deepens and implements the safe and environmental concept of sustainable development to all processes of the business.

B6 Product Responsibility

The Group strictly abides by the Urban Property Management Law of the People's Republic of China, the Regulation on the Development and Operation of Urban Property, the Ordinance on the Quality of Construction Project and other relevant laws and regulations of the state on the industry. It always adheres to the strategy on the best product and meets the demands of the market and clients with the best projects. It leads its competitors with featured product quality and meticulous management, and provides clients with professional and personalized services. Under the increasingly intensified competition in the current property market, it controls the whole process from design to construction and actively builds a new brand image from the steady advancing of the projects with fine decoration to the meticulous arrangements before and after the delivery of the projects.

Green design concept

The Group adheres to the concept of sustainable development on the design of buildings and formulated the Ordinance on the Design of Projects. In the design of plans, it encourages technology progress and innovation in plans and encourages the exploration of new technologies and new materials and the application of new design concepts to build a green, ecological and healthy living environment. In addition, the Group is vigorously advancing the modernization of the construction industry characterized by "standard design, industrialized production, prefabricated construction, repairing with finished products and informatization management" and steadily promote the assembly ratio of single buildings and the ratio of finished residential buildings. It will raise the criteria on the rating of green buildings and promote the transformation of development model and the structural adjustment of the construction industry to improve the quality and benefit of development.

Strict standards on products

In order to raise the requirements on the quality management of the projects under construction and unify the quality standards, the Group formulated and implemented series systems and regulations to regulate occasional incidents in the construction management. To strengthen the prevention of general problems in the quality of construction projects, it arranges responsible persons for the quality management in key processes and strives to reduce the happening of general quality problems and reduce complaints from clients through strengthening the quality examination and acceptance in key processes. The Group formulated the Guideline on the Inspection on Project Quality in Key Processes, requiring all project companies creating archives for projects. The archives shall include the documents formed on the exploration, design, construction and supervision of the whole process from the commencement of construction to the completion for acceptance as well as words, drawings, charts and sound images worthy archiving and safeguarding. Besides, to guarantee the construction quality, the group formulated various systems, such as the Key Processes in Quality Control of Construction Projects, the Measures on the Appraisal of Project Management, the Measures on the Management of Archives of Project Construction, the Ordinance on the Management of Plans on Projects and the Guideline on the Operation of Field Visa Management, to raise the requirements on quality management for all construction projects. It refined the key processes in quality control in 15 aspects, including the reinforced concrete structure, plaster work, doors and windows projects, ceiling projects, electric lighting projects as well as ventilation and air conditioning projects. It set specific requirements on the control of key processes in environment pollution in particular, such as radon, formaldehyde, benzene and other pollutants, and set target value on them.

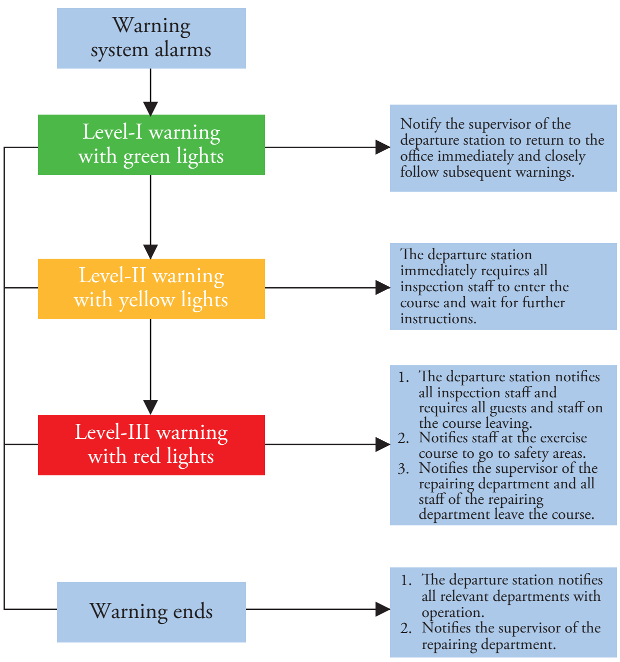
Environmental, Social and Governance Report

The Group issued the Measures on Projects Completion and Houses Delivery, providing that upon the completion of projects, the design company, the general contractor of the construction, all sub-contractors of the construction and the supervision agency to dispatch employees to establish a "group on completion acceptance". It conducts self-inspections based on actual conditions and submits the projects to the government authorities for quality inspection to conduct acceptance on completion. The group on completion acceptance will monitor the supervision agency in conducting pre-acceptance on the projects. If there are quality and materials problems, it shall urge the contractor to rectify and it will conduct self-inspections again on the projects after the rectification. Meanwhile, the property company, the marketing department and the project department will establish a "group on delivery acceptance" to inspect all basic conditions of the project before the delivery of the house, such as whether they have been constructed completely based on the requirements of drawings, whether the construction wastes on the project site have been cleared, whether there are acceptance certificates on concealed projects, whether the equipment test and testing reports and other materials are complete. When necessary, it shall also inspect the self-evaluation report of the contractor, which shall be conducted according to the management regulations of the place where the project is located and through the negotiation with the property company. It also requires all projects to follow the regulations on completion and acceptance of local construction authorities.

The Group set strict criteria on the delivery of houses. The guide on the acceptance of houses sets regulations on the criteria on the delivery of houses on a total of 99 sub-items under 43 items, including the public space, the entrance space, the decoration and components, doors and windows, the kitchen space, the items in the living room, the sanitation and the readings of meters. The handover and acceptance of house shall be conducted based on the criteria on the delivery of houses to guarantee the quality of houses.

Intimate customer guarantees

The Group strictly abides by the Law on the Protection of the Rights and Interests of Consumers of the People's Republic of China and other relevant laws and regulations and strives to protect the legitimate interests and information security of clients. The group established the System on the Management of Clients' Information, the Guideline on the Management of the Cancellation of Orders and the Returning of Houses and other relevant systems, requiring the office of all operation divisions submitting the definition of confidential levels of clients' information. All divisions shall follow the definition of confidential levels and perform the responsibilities to clients' information when referring to such information from different divisions and it shall pass relevant reviews. Meanwhile, it requires all operation divisions not keeping the clients' information in paper in any forms. Under particular circumstances, it shall print only after being approved by the responsible person of the operation division. For electronic information about clients, it shall set corresponding authorities. When others are found divulging or may divulge clients' information, the employees shall be obliged to prevent and the management shall be obliged to take remedial measures immediately to prevent or reduce losses. At the same time, the Group conducts annual surveys on the satisfaction of clients to better serve the clients.



To prevent lightning incidents at the golf courses of the Group and implement the principle of "safety enjoys top priority", it requires all employees of the Company understanding the specific operation processes of the lightning warning. The two lightening warning equipment on the course divides the lightning forecast into three levels with alarms. It has established operation process for warnings at all levels at the course.

Rigorous brand management

During the brand management work, the Group abides by the Advertisement Law of the People's Republic of China and other relevant laws and regulations and strives to build an image as a comprehensive property financial group responsible for the society, clients and employees. The Group formulated the Circular on Strengthening Relevant Work on Brand Management, providing the establishment of the news submission system and advancing management innovation, project progress, marketing management, cost contract, risk control management, asset operation, strategic operation, financial management, system establishment and the fostering of talents. The Group requires all operation divisions conducting standard and unified promotions in external publicities, the contents of drafts and materials in particular. All promotion materials can be released to the public after passing internal reviews and approvals.

Meanwhile, to strengthen the protection of commercial secrets of the Group, raise the confidential awareness of employees and protect the benefits and commercial secrets of the Company, the Group formulated the Measures on Confidentiality of SRE Group according to the Anti-Unfair Competition Law of the People's Republic of China and other relevant laws and regulations, which requires employees signing the confidential agreement to understand the confidential contents, the rights and obligations, the period of the agreement and the responsibilities on breaching the contract when signing the employment contract with the Company.

B7 Anti-corruption

The Group abides by the Group Law of the People's Republic of China, the Tendering and Biding Law of the People's Republic of China, the Regulation on the Management of Construction, Tendering and Biding of Project Construction, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Briberies, the Anti-Money Laundering Law of the People's Republic of China and other laws and regulations and actively calls for and requires leaders of the Company at all levels and employees consciously keeping the person conduct of law-abiding, integrity, honesty, self-disciplined and dedication. It established a complete anti-corruption mechanism through ideological education, institutional prevention and behavior restriction. All staff, the management in particular, shall firmly establish the awareness on integrity, discipline and bottom lines.

In order to maintain the normal production and operation order, promote all work in an orderly way and improve the inspection and reporting work of the Company, the Group formulated the System on the Management of Inspection and Reporting of SRE Group, providing that all staff of the Group and companies and persons with business relationship with the Group can use jcjb@sre.com.cn, the special email the Group for inspection and reporting, to report all problems affecting the normal operation of the Group, monitor the behaviors of the Group and its subsidiaries and companies it invested in violation of laws and regulations of the state and relevant management systems of the Company as well as behaviors jeopardizing the normal benefits of the Company, those such key processes as bidding and tendering, procurement of materials, financial capitals management, significant investment management, selection and appointment of employees, project visas management, commercial operation management, relocation management and marketing management in particular.

The Group requires all staff signing the Integrity Agreement to improve the professional quality and professional ethics of the staff and prevent operation and ethical risks. Meanwhile, to implement relevant laws and regulations on anti-commercial briberies, safeguard fair competition and the legitimate interests of parties involved and prevent inequitable conducts, the Group includes the Performance Guarantee and the Integrity Agreement into the bidding documents and requires Party A and Party B jointly abiding by integrity commitments.

Case: The Party branch of the Group conducted the activity of "visiting the venue of the First Conference of the CPC and reviewing the Party admission ceremony"
In the afternoon of 25 November 2016, the Party branch of the Group conducted the activity of "visiting the venue of the First Conference of the CPC and reviewing the Party admission ceremony". More than 20 Party members participated in the activity. It further improved the awareness of Party members on the nature of the Party and the leadership and will facilitate them working together and jointly promoting the transformation and development of the Group.

B8 Community Investment

As a part to the society, the development of an enterprise shares common weal and woe with the progress of the society. While creating economic value constantly, the Group also deeply recognizes the significance of social responsibility. It requires itself shouldering social responsibilities to be assumed as a listed company and requires all employees fulfilling the commitment to clients, closely connecting capital aggregation of the Company with social value accumulation, prosperity of the Company with prosperity of the state. It emphasizes the improvement of its value in the society as a whole and returns the society through actively participating in public welfare undertakings to make positive contributions to the progress of the country and the harmony of the society.

The Group formulates Measures on Charitable & Public Welfare Activities of SRE Group to standardize the charitable and public welfare activities and better give back to the society. The Group regularly appraises the relations between business activities of the Company and community interests and actively takes effective measures. During its development, the Group provides various public welfare activities with brand characteristics in diversified forms in combination of business characteristics of property development and investment companies to promote social development and progress in many ways and fulfills due social responsibilities of an enterprise citizen.

In December 2016, the headquarters of the Group carried out "delivering warmth and showing love" clothes donation activity to collect clothes and blankets for adults and children. The activity was positively responded by the employees of the headquarters. All employees actively participated in the activity and large quantity of clothes were collected for three days and were uniformly sent to Tibetan herdsmen to let them feel the warm love from the SRE in the winter.

Directors and Senior Management

Directors

Executive Directors

Mr. He Binwu, aged 68, was appointed as an Executive Director and the Chairman of the Company on 4 December 2015. He is also the chairman of the Nomination Committee and the Investment Committee of the Company. Mr. He has over 20 years of experience in real estate development. Mr. He earned a diploma certificate from Shanghai Jiao Tong University in 1976. Mr. He had held various positions since 1987, including the positions as a director and a deputy general manager of Franshion Company Limited* (方興實業有限公司), the managing director of Shanghai Port International Cruise Terminal Development Co., Ltd.* (上海港國際客運中心開發有限公司), Shanghai International Shipping Service Center Development Co., Ltd.* (上海國際航運服務中心開發有限公司), Shanghai Yinhui Real Estate Development Co., Ltd.* (上海銀匯房地產發展有限公司) and Shanghai Star Bund Development and Construction Co., Ltd.* (上海星外灘開發建設有限公司). From June 2004 to August 2015, Mr. He had served as an executive director and a vice president of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 817).

Mr. Peng Xinkuang, aged 41, was appointed as an Executive Director and the Chief Executive Officer of the Group on 4 December 2015. He is also a member of the Investment Committee of the Company. Mr. Peng has extensive experience in the real estate industry. Mr. Peng obtained a bachelor's degree in sales management from Hunan University of Commerce in 2014 and also obtained an executive master of business administration degree at Central South University. Mr. Peng had held various positions in the past, including the positions as the chairman of Meixi Lake Investment (Changsha) Co., Ltd.*(梅溪湖投資(長沙)有限公司), the minister of construction project, the commissioner for planning and construction and a deputy director of the Changsha Qingzhu Lake Management Committee*(長沙青竹湖管委會), the vice minister of construction project of Hunan Xiangjiang New Zone*(湖南湘江新區), an executive director and the general manager of Changsha Meixi Lake Industrial Co., Ltd.* (長沙梅溪湖實業有限公司)and the chairman of Pilot Public Utilities Company*(先導公共設施公司). He is also a director of other member(s) of the Group.

Mr. Chen Donghui, aged 43, was appointed as an Executive Director on 6 June 2016. Mr. Chen holds a doctorate degree from the accounting faculty of Renmin University of China. Mr. Chen is currently the general manager of China Minsheng Jiaye Investment Co., Ltd.. Mr. Chen had served as a supervisor and a vice supervisor of the strategic research office of the R&D center of The People's Insurance Company of China Limited, a deputy general manager and then the general manager of the finance and accounting department of PICC Property and Casualty Company Limited and the deputy general manager of its Jiangsu branch, the general manager of the strategic financing department of China Export & Credit Insurance Corporation, and an executive director of financial sector of China Minsheng Investment Corp., Ltd.. Mr. Chen had served as the chief financial officer of China Minsheng Drawin Technology Group Limited, a company listed on the Stock Exchange (stock code: 726) during the period from September 2015 to May 2016 and Mr. Chen was appointed as a non-executive director of China Minsheng Drawin Technology Group Limited since 28 June 2016. Mr. Chen has been appointed as an executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016.

Mr. Chen Chao, aged 37, was appointed as an Executive Director on 4 December 2015. Mr. Chen is the chief risk management officer of China Minsheng Jiaye Investment Co., Ltd.. Mr. Chen obtained a bachelor's degree in international business management from Fudan University in 2002. Mr. Chen holds the qualification of certified public accountant in the People's Republic of China. Before joining China Minsheng Jiaye Investment Co., Ltd., Mr. Chen had engaged in auditing and financial advisory work and had held various positions, including the positions as a co-director of the financial advisory department of Ernst & Young (China) and an auditing manager of KPMG (China). Mr. Chen was appointed as a non-executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016.

Mr. Shi Janson Bing, aged 33, was appointed as an Executive Director and the Vice-Chairman of the Company on 17 July 2015, and ceased to be the Vice-Chairman of the Company but remaining as an Executive Director on 4 December 2015. Mr. Shi graduated from the University of Southern California and obtained a bachelor's degree in accounting. Mr. Shi has over 9 years of experience working in the field of property development and in corporate management and operations. He was appointed as an executive director of China New Town Development Company Limited ("CNTD"), a company listed on the Stock Exchange (stock code: 1278) and the Singapore Stock Exchange (delisted on 17 February 2017) (stock code: D4N.si) in December 2007. He resigned from all his positions in CNTD in March 2014 and was appointed again as an executive director of CNTD on 12 August 2016. He is the son of Mr. Shi Jian, a substantial shareholder of the Company. He is also a director of other member(s) of the Group.

Directors and Senior Management

Mr. Zhu Qiang, aged 37, was appointed as an Executive Director on 4 December 2015. He is also a member of the Investment Committee of the Company. Mr. Zhu is the chief investment officer of China Minsheng Jiaye Investment Co., Ltd.. Mr. Zhu obtained a bachelor's degree in management engineering in 2002 and a master degree in technology economics and management in 2005 from Tongji University. Mr. Zhu has over 10 years of experience in real estate investment and development and had held various positions, including the positions as a deputy general manager of Franshion Real Estate Changsha Co., Ltd.* (方興地產長沙有限公司), the general manager of Changsha Meixi Lake Jinyue Properties Co., Ltd.* (長沙梅溪湖金悦置業有限公司), a senior investment manager of the investment and development department of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 817), an investment director of the investment management department of Jinmao Group*(中國金茂集團)and an industry analyst of the administration department of Yunfeng Group*(雲峰集團). He is also a director of other member(s) of the Group.

Ms. Qin Wenying, aged 53, was appointed as an Executive Director on 6 June 2016. Ms. Qin graduated from Fudan University with a bachelor's degree in philosophy in July 1986 and obtained an advanced master of business administration degree from Fudan University in April 2004. She has been qualified as a senior human resources professional authenticated by the Ministry of Human Resources and Social Security and as a senior political scientist authenticated by the State-owned Assets Supervision and Administration Commission. Ms. Qin has over 20-year experience in establishment of human resources and corporate culture and operation management and supervision management in property development and hotel management and property management industry. Ms. Qin had held various positions in the past. In 1998, she joined Sinochem Group; from 1998 to 2010, she worked as the deputy head of the chief executive office, general manager of human resources department, vice chairman of labour union and supervisor of China Jin Mao (Group) Limited (currently known as Jinmao (China) Hotel Investments and Management Limited (stock code: 6139)); in May 2010, she was the chairman of labour union, the director of the department of Party-civilian relationship and the officer of the disciplinary and inspection department of Franshion Properties (China) Limited (currently known as China Jinmao Holdings Group Limited) (stock code: 817); in August 2014, she was the deputy general manager of the Shanghai office of China Jinmao; in August 2015, she was appointed as the secretary of the disciplinary committee of Sinochem International Corporation listed on the Shanghai Stock Exchange (stock code: 600500).

Independent Non-executive Directors

Mr. Zhuo Fumin, aged 65, was appointed as an Independent Non-executive Director on 30 November 2010. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983 and obtained a master degree in economics from Fudan University in 1997. Mr. Zhuo served senior positions such as the assistant officer and the head of the administrative office of the Shanghai Economic System Reform Committee. Subsequently, Mr. Zhuo held various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo devoted to private equity investment since 2002, and was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly owned subsidiary of Vertex Management Group which is a global venture capital fund management company. Mr. Zhuo co-founded SIG Capital Limited. Since 2008, Mr. Zhuo has been a partner of GGV Capital. Mr. Zhuo was previously a director of Grandhope Biotech Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300238) and an independent director of Focus Media Holding Limited, a company listed on NASDAQ (former stock code: FMCN, currently privatized). Currently, Mr. Zhuo is an independent director of Daqo New Energy Corp., a company listed on the New York Stock Exchange (stock code: DQ) and a non-executive director of Besunyen Holdings Company Limited, a company listed on the Stock Exchange (stock code: 926). He also serves as an independent non-executive director of Shenyin Wanguo (H.K.) Limited (now known as Shenwan Hongyuan (H.K.) Limited), a company listed on the Stock Exchange (stock code: 218) and an independent director of China Enterprise Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 600675). Mr. Zhuo was appointed as an independent director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629) since September 2015, an independent director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027) since January 2016 and an independent non-executive director of Sinopharm Group Co. Ltd., a company listed on the Stock Exchange (stock code: 1099) since March 2016.

Mr. Chan, Charles Sheung Wai, aged 63, was appointed as an Independent Non-executive Director on 10 July 2012. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan obtained a bachelor of commerce degree at the University of Manitoba, Canada in 1977. He is a member of the Chartered Accountants of Canada as well as a member of the Hong Kong Institute of Certified Public Accountants. He started his career as an audit staff at the Canadian office of Arthur Andersen in 1977 and was admitted to partnership in 1988. He subsequently joined the China/Hong Kong office of Arthur Andersen as an audit partner in

1994. For the period from July 2002 to June 2012, he was a partner of the China/Hong Kong Office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Stock Exchange during the period from 1998 to 2001 and also served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Society of Certified Public Accountants (the "Society"). He had also served as a member of the accounting standards committee of the Society, a member of the auditing standards committee of the Society and the chairman of the China technical committee of the Society. Mr. Chan is currently an independent non-executive director of Changyou.com Limited, a company listed on NASDAQ (stock code: CYOU). Mr. Chan formally acted as an independent non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030) since 9 May 2016. Mr. Chan resigned as an independent non-executive director of SPI Energy Co., Ltd., a company listed on NASDAQ (stock code: SPI) on 29 April 2016.

Mr. Ma Lishan, aged 65, was appointed as an Independent Non-executive Director on 31 March 2016. He is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Investment Committee of the Company. He has extensive experience in corporate operation and management. Mr. Ma graduated from Beijing Foreign Studies University in the People's Republic of China in 1975. Mr. Ma served in various managerial positions such as chairman, executive director and general manager in certain large-scale grain, edible oil, food processing corporations and Great Wall Wine under China Oil & Foodstuff Corporation. From January 1996, Mr. Ma served as an executive director of China Foods Limited* (中國食品有限公司) ("China Foods"), a company listed on the Stock Exchange (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and managing director and from April 2002 to June 2003 as managing director of China Foods. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd.* (中國糧油食品進出口(集團)有限公司). Mr. Ma was the deputy chairman of Top Glory International Holdings Limited* (鵬利國際集團有限公司) (a shareholder of COFCO Property (Group) Co., Ltd.) from June 2003 to July 2005. From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited (now known as Elife Holdings Limited), a company listed on the Stock Exchange (stock code: 223). From March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886). From August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474). He was the senior consultant in Hao Tian Development Group Limited from August 2012 to August 2016. Mr. Ma was appointed as an independent non-executive director of China Minsheng Drawin Technology Group Limited, a company listed on the Stock Exchange (stock code: 726) since 28 June 2016 and an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 993) since 19 August 2016.

Mr. Han Gensheng, aged 62, was appointed as an Independent Non-executive Director on 12 October 2016. He is also a member of the Audit Committee of the Company. He has extensive experience in corporate management. Mr. Han graduated from Shanghai Maritime University and obtained a bachelor's degree in Ocean Transport in 1978. Mr. Han has worked in various positions since August 1978, including the director of the logistics and warehousing division of China National Chemicals Import & Export Corporation* (中國化工進出口總公司), the general manager of 中化國際儲運有限公司, the vice president of America West Pacific Refinery Co., the general manager of West Rockies Inc., the general manager of petroleum division II of China National Chemicals Import & Export Corporation* (中國化工進出口總公司), the vice president and a party member of Sinochem Group, the general manager of Sinochem International Oil Co., Ltd.* (中化國際石油有限公司), the general manager of Sinochem Petroleum Exploration and Production Co. Ltd.* (中化石油勘探開發有限公司), the general manager of Sinochem Corporation and the general manager of Sinochem Europe Holdings PLC.* (中化歐洲集團公司). Mr. Han was appointed as an independent non-executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016.

Senior Management

Mr. Yan Jiannan, aged 45, was appointed the vice president of the Group in June 2016. Mr. Yan obtained a bachelor degree in Technical Economy from Shanghai Jiao Tong University in 1994, a master degree in Structural Engineering from Shanghai Jiao Tong University in 1997 and a doctoral degree in Political Economy from Fudan University in 2014. Mr. Yan had worked in the Shanghai Branch of China Construction Bank* (中國建設銀行) for six years and in China Minsheng Bank* (中國民生銀行) for 11 years since 1997. Mr. Yan held various positions during his work in Minsheng Bank, including product manager, customer manager, vice president of sub-branches,

Directors and Senior Management

the deputy marketing director of the Shanghai division of the department of real estate and financial affairs, president of sub-branches, the general manager of the private banking division of the Shanghai branch and the general manager of the company's banking division. At the end of 2014, Mr. Yan joined the China Minsheng Investment Corp., Ltd.* (中國民生投資股份有限公司), and was responsible for the establishment of community financial sector. He has also worked in Zhongmin Property Management Co., Ltd.* (中民物業有限公司) as vice president, in China Minsheng Rongjia Asset Management Co., Ltd.* (中民融家資產管理有限公司) as general manager, in Beijing Xinheng Insurance Agent Co., Ltd.* (北京鑫恒保險經紀有限公司) as chairman, in Zhongmin Wealth Management (Shanghai) Co., Ltd.* (中民財富管理(上海)有限公司) as general manager, etc.

Mr. Lv Yun, aged 41, was appointed the vice president of the Group in 2016. Mr. Lv obtained a bachelor degree in Business Administration from Tongji University in 2000 and a master degree in Finance from Shanghai University of Finance and Economics in 2012. Mr. Lv has over ten years of experience in the aspect of investment and development in real estate, and had worked in various positions, including the deputy general manager of Changsha Company of China Jinmao Holdings Group Limited, a company listed on the Stock Exchange (stock code: 817) and the general manager of sales planning department of Jinmao Investments (Changsha) Co., Ltd* (金茂投資(長沙)有限公司); he had also worked in companies such as Forte Group Sales Planning* (復地集團營銷策劃), Cushman & Wakefield* (戴德梁行) and Eslite Real Estate* (誠品房地產).

Mr. Ma Dayu, aged 55, joined the Group in June 1999, is currently the vice president of the Group. Mr. Ma graduated in architecture at the Shanghai Tongji University in 1983. He obtained the Certificate of Senior Engineer in Real Estate in 1998 and was awarded a MBA degree by the Princeton University in USA in 2005. Mr. Ma had once worked in Shanghai Metallurgical Design Institute* (上海冶金設計研究院), responsible for architectural design, and had once been the Secretary of its Commission of the Communist Youth League. He had also been a manager of the engineering department of Shanghai Jinqiao Export Processing Zone Development Co., Ltd.* (上海金橋出口加工區開發公司) and a vice-general manager of Shanghai Dongzhan Real Estate Development Co., Ltd.* (上海東展房地產發展有限公司). After joining the Group, Mr. Ma held the positions of senior management officers for various subsidiaries under the Group, and he was appointed the executive director of the Group from 5 February 2015 to 2 December 2015.

Mr. Pang Ka Fai Angus, aged 47, was appointed as the Company Secretary of the Company on 14 June 2016. He has 25 years of experience in financial management, corporate finance and corporate secretarial work. Mr. Pang holds a master's degree of Corporate Governance from the Hong Kong Polytechnic University, a bachelor degree of Business Administration in Accounting, and is a fellow member of the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Pang is also a member of Regulatory Committee of The Hong Kong Independent Non-Executive Director Association.

Mr. Zong Shihua, aged 35, who has obtained master degree, and is a senior accountant and an auditor, is currently the chief financial officer of the Group. Mr. Zong obtained a bachelor degree in Economics from Nantong University in 2003, a master degree in Accounting from Shanghai Jiao Tong University in 2013, and a master degree in Business Administration from Fudan University in 2014. He worked as an auditor in Jiangsu Gaoshen CPA* (江蘇皋審會計師事務所) in 2003. He was a financial manager of Shanghai Zhong Rong International Business Center Co., Ltd.* (上海中融國際商城有限公司) and Shanghai Zhong Rong Property Management Co., Ltd.* (上海中融物業管理有限公司) from 2004 to 2007. He worked as the vice financial director (hosting) and chief taxation officer of Zhong Rong Group* (中融控股集團) in 2007. Mr. Zong joined China Minsheng Investment Corp., Ltd.* (中國民生投資股份有限公司) in 2015 and worked as the financial general manager of China Minsheng Bund Real Estate Development Co., Ltd.* (中民外灘房地產開發有限公司). In December 2015, he joined the Group as the general manager of the financial asset department and was appointed the chief financial officer on 1 May 2016. Mr. Zong has over 13 years of work experience in the areas of development and investment of real estate, property leasing and the development of accounting practice.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal Activities

The Group are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed markets. The principal activities of its principal subsidiaries, joint ventures and associates are respectively set out in notes 49, 22 and 21 to the consolidated financial statements.

Segmental Information

Details of the Group's revenue and profit or loss by principal activity and geographical area for the year ended 31 December 2016 are set out in note 4 to the consolidated financial statements.

Results

Details of the Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income. No interim dividend was declared by the board of the Directors (the "Board"). The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

Bank Loans, Overdrafts and Other Borrowings

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 32 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are respectively set out in the consolidated statement of changes in equity and in note 50 to the consolidated financial statements.

Distributable Reserves

As computed in accordance with the Companies Act 1981 of Bermuda, the Company does not have reserves for distribution to shareholders as at 31 December 2016 (2015: Nil). The share premium account with balance of approximately RMB5,046 million (2015: RMB5,046 million) may be distributed in the form of fully paid bonus shares.

Share Capital

Details of movements in the share capital of the Company are set out in note 30 to the consolidated financial statements.

Financial Summary

A financial summary of the Group is set out on page 5 of this annual report.

Report of the Directors

Business Review

The information on business review of the Group for the year ended 31 December 2016 is provided in the Chairman's Statement and Management Discussion and Analysis of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

Fixed Assets and Investment Properties

Details of the movement in fixed assets and investment properties of the Group are respectively set out in notes 17 and 18 to the consolidated financial statements.

Related Party Transactions

Details of the related party transactions (which also include connected transactions) of the Group for the year ended 31 December 2016 are set out in note 45 to the consolidated financial statements.

Connected Transactions

On 18 March 2016, All Pride Investments Limited ("All Pride") and Great Wall Guofu Real Estate Co., Ltd.* (長城國富置業有限公司) ("Great Wall") entered into the Equity Transfer Agreement, pursuant to which All Pride agreed to sell and Great Wall agreed to purchase 56% equity interest in Shanghai Skyway Hotel Co., Ltd.* (上海斯格威大酒店有限公司) ("Shanghai Skyway") for a consideration of RMB643,104,000.

Great Wall is a substantial shareholder of Shanghai Skyway and hence a connected person of the Company. Therefore, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As Great Wall is a connected person only because of its connection with Shanghai Skyway, it is a connected person at the subsidiary level under the Listing Rules and the Disposal is therefore only subject to the reporting and announcement requirements, and is exempt from circular, independent financial advice and shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules. Further details of the connected transaction were disclosed in the announcement of the Company dated 18 March 2016.

On 20 April 2016, the Company entered into the Acquisition Master Agreement with China New Town Development Company Limited ("CNTD") and SRE Investment Holding Limited ("SREI"), pursuant to which CNTD has, among others, conditionally agreed to sell or procure the sale of, and the Company has conditionally agreed to purchase or procure the purchase of, the Target Assets. Pursuant to the Acquisition Master Agreement, the Consideration for the Acquisition is RMB1,315,198,723 in cash.

As at 20 April 2016, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (a) SREI is a shareholder of CNTD holding approximately 14.91% of the total issued share capital of CNTD; and (b) CNTD (being the seller of the Target Assets) and its ultimate beneficial owner (except for SREI) are third parties independent of the Company. In addition, SREI is a substantial Shareholder holding approximately 14.05% of the issued share capital of the Company and therefore is a connected person of the Company. Although the sale and purchase of the Target Assets as between CNTD as the seller and the Company as the purchaser does not constitute a connected transaction of the Company, the Company would, for the purpose of good corporate governance, deem the Acquisition as a whole a connected transaction of the Company in light of the involvement of SREI in it. Further details of the connected transaction were disclosed in the announcement of the Company dated 20 April 2016.

Directors

The directors who held office during the year and as of the date when the annual report was published are:

Executive Directors

Mr. He Binwu
Mr. Peng Xinkuang
Mr. Chen Donghui *(appointed on 6 June 2016)*
Mr. Chen Chao
Mr. Shi Janson Bing
Mr. Zhu Qiang
Ms. Qin Wenying *(appointed on 6 June 2016)*
Mr. Wang Zi Xiong *(resigned on 6 June 2016)*
Mr. Zhao Xiaodong *(resigned on 6 June 2016)*

Independent Non-executive Directors

Mr. Zhuo Fumin
Mr. Chan, Charles Sheung Wai
Mr. Ma Lishan *(appointed on 31 March 2016)*
Mr. Han Gensheng *(appointed on 12 October 2016)*
Mr. Yang Chao *(retired on 1 January 2016)*
Mr. Guoping *(resigned on 12 October 2016)*

The Company had received confirmation from each of the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considered all Independent Non-executive Directors to be independent.

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. He Binwu, Mr. Peng Xinkuang, Mr. Chen Chao, Mr. Shi Janson Bing and Mr. Han Gensheng will retire at the forthcoming annual general meeting of the Company, but being eligible, will offer themselves for re-election.

Biographical details for the Directors are set out on pages 37 to 40 of this annual report.

Report of the Directors

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of the Director since the disclosure made in the Interim Report 2016 and up to the date of this annual report of the Company is set out below:

Name of Directors	Details of Change
Mr. Chen Donghui	Appointed as an executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016
Mr. Chen Chao	Appointed as a non-executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016
Mr. Han Gensheng	Appointed as an independent non-executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016
Mr. Chan, Charles Sheung Wai	Change in director's fee from HK$330,000 per annum to HK$360,000 per annum with effect from 1 November 2016
Mr. Ma Lishan	Change in director's fee from HK$300,000 per annum to HK$360,000 per annum with effect from 1 November 2016

Directors' Emoluments

The fixed annual remuneration of the Executive Directors is determined by the Remuneration Committee of the Company. Each Executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all Executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and non-controlling interests as shown in the audited consolidated financial statements of the Company for the relevant year.

Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Company which is not determinable within one year without the payment of compensation other than statutory compensation.

Directors' Interest in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2016.

Directors' Rights to acquire Shares or Debentures

Save as disclosed in the section of Share Option Scheme of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in shares of the Company (the "Shares") and underlying Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
He Binwu	160,000,000 *(Note 1)*	–	–	160,000,000	0.78%
Peng Xinkuang	160,000,000 *(Note 1)*	–	–	160,000,000	0.78%
Zhu Qiang	120,000,000 *(Note 1)*	–	–	120,000,000	0.58%
Qin Wenying	120,000,000 *(Note 1)*	–	–	120,000,000	0.58%
Chen Donghui	80,000,000 *(Note 1)*	–	–	80,000,000	0.39%
Chen Chao	80,000,000 *(Note 1)*	–	–	80,000,000	0.39%
Shi Janson Bing	50,000,000 *(Note 1)*	–	–	50,000,000	0.24%
Zhuo Fumin	–	160,000 *(Note 2)*	–	160,000	0.0008%

Notes:

(1) This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.

(2) These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company, nor any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

Substantial Shareholders' Interests

As at 31 December 2016, so far as is known to any Director or chief executives of the Company, the following persons, other than a Director or chief executives of the Company, had interests of the Company or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity	Number of issued ordinary Shares held	Approximate percentage of shareholding
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	12,500,000,000 *(Notes 1 & 2)*	60.78%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	12,500,000,000 *(Notes 1 & 2)*	60.78%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	12,500,000,000 *(Notes 1 & 2)*	60.78%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	12,500,000,000 *(Notes 1 & 2)*	60.78%
Jiashun (Holding) Investment Limited	Beneficial owner	12,500,000,000 *(Notes 1 & 2)*	60.78%
Shi Jian	Beneficial owner, spouse and corporate interest	2,902,668,443 *(Notes 3 & 4)*	14.11%
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,902,668,443 *(Notes 3 & 4)*	14.11%
SRE Investment Holding Limited	Beneficial owner	2,889,659,128 *(Notes 3 & 4)*	14.05%

Notes:

(1) China Minsheng Investment Corp., Ltd. holds a 78.56% (subsequently reduced to 69.41% in January 2017) direct interest in China Minsheng Jiaye Investment Co., Ltd., which holds a 100% direct interest in Jiaxin Investment (Shanghai) Co., Ltd., which in turn holds a 100% interest in Jiasheng (Holding) Investment Limited. Jiashun (Holding) Investment Limited is a wholly-owned subsidiary of Jiasheng (Holding) Investment Limited. Therefore, China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaxin Investment (Shanghai) Co., Ltd. and Jiasheng (Holding) Investment Limited are all deemed to be interested in all the Shares held by Jiashun (Holding) Investment Limited for the purposes of the SFO.

(2) 12,500,000,000 Shares held by Jiashun (Holding) Investment Limited (in which China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaxin Investment (Shanghai) Co., Ltd. and Jiasheng (Holding) Investment Limited are deemed to be interested) are charged to a bank in the PRC.

(3) These Shares comprise 13,006,991 Shares held by Mr. Shi Jian, 2,324 Shares held by his spouse, Madam Si Xiao Dong and 2,889,659,128 Shares held by SRE Investment Holding Limited. As each of Mr. Shi Jian and Madam Si Xiao Dong owns more than 30% of SRE Investment Holding Limited, they are deemed to be interested in all the Shares held by SRE Investment Holding Limited for the purposes of the SFO.

(4) 2,889,659,128 Shares held by SRE Investment Holding Limited (in which Mr. Shi Jian and Madam Si Xiao Dong are deemed to be interested) are charged to Jiahua Investment Limited. Madam Jiang Chuming holds a 100% direct interest in Jiahua Investment Limited.

Save as disclosed above, as at 31 December 2016, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Share Option Scheme

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016 (the "Date of Grant"), options to subscribe (the "Share Options") for a total of 1,073,717,976 new Shares were offered to certain Directors and employees of the Group (the "Grantees"). The Share Options granted to each Grantee are valid for a period of five years commencing from the Date of Grant and shall be vested in three tranches in accordance with the following vesting dates: (i) 40% of the Share Options granted to each Grantee shall be vested and exercisable from 30 August 2016 to 13 July 2021; (ii) an additional 30% (i.e. up to 70% in total) shall be vested and exercisable from 30 August 2017 to 13 July 2021; and (iii) the remaining 30% (i.e. up to 100% in total) shall be vested and exercisable from 30 August 2018 to 13 July 2021.

The exercise price of the Share Options is HK$0.2132 per Share, which represents the highest of (i) the closing price of the Shares of HK$0.212 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing prices of the Shares of HK$0.2132 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, which is HK$0.10.

The Share Options were granted to the following Directors:

Executive Directors	Number of Share Options Granted
He Binwu	160,000,000
Peng Xinkuang	160,000,000
Zhu Qiang	120,000,000
Qin Wenying	120,000,000
Chen Donghui	80,000,000
Chen Chao	80,000,000
Shi Janson Bing	50,000,000

The grant of the Share Options to each of the above Directors has been approved by the Independent Non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. Save as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them.

No Share Options granted were exercised, cancelled or lapsed during 2016.

The fair value of options granted during the period determined using the Binomial valuation model was divided into three trenches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options to be vested on 30 August 2017 and HK$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies.

The following is a summary of the principal terms of the Scheme:

1. Purpose of the Scheme:

   The purpose of the Scheme is to reward the contributions made by any Directors or employees of the Group (the "Eligible Employees"), to provide incentive for the Eligible Employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole.

Report of the Directors

2. Participants of the Scheme:

   The Board may at its discretion grant options to the Eligible Employees.

3. Total number of Shares available for issue under the Scheme and percentage of issued share capital as at 31 December 2016:

   As at 31 December 2016, the total number of Shares which may be issued under the Scheme must not exceed 2,056,471,372 Shares, representing approximately 10% of the issued share capital of the Company.

4. Maximum entitlement of each participant under the Scheme:

   Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

5. The period within which the Shares must be exercised under the Scheme:

   The period during which an option may be exercised in accordance with the terms of the Scheme ("Option Period") shall be a period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Date of Grant.

6. The basis of determining the exercise price:

   The subscription price per Share payable on the exercise of an option is to be determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share on the Date of Grant.

7. The remaining life of the Scheme:

   Subject to the earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme is deemed to take effect in accordance with its terms, after which time no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Scheme.

Competing Interests

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Major Customers and Suppliers

The Group's customers from whom the revenue of continuing operations derived are widely dispersed. No customer nor a single group of customers under common control of continuing operations contributed 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015. During the year, less than 30% of the Group's revenue was attributable to the Group's five largest customers combined.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers combined.

Public Float

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the public float requirement under the Listing Rules.

Audit Committee

The audited annual consolidated financial statements for the year ended 31 December 2016 has been reviewed by the Audit Committee of the Company.

Pension Scheme

Details of the Group's pension schemes are set out in the section of employee benefits of Note 2.4 to the consolidated financial statements.

Auditor

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers, Certified Public Accountants. A resolution for their re-appointment as the auditor of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On 25 May 2016, the term of office of the former auditor of the Company, Ernst & Young, has expired and PricewaterhouseCoopers was appointed as the auditor of the Company on the same day.

Save as disclosed above, there has been no change in the auditor of the Company during the past three years.

Permitted Indemnity Provision

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 6 June 2017 to Friday, 9 June 2017 (both days inclusive), for the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company. No transfer of shares during the said period will be registered. In order to qualify to attend and vote at the meeting, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Monday, 5 June 2017.

On behalf of the Board

He Binwu
Chairman

Hong Kong, 27 March 2017

Corporate Governance Report

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders. The Board and senior management are committed to maintain a high standard of corporate governance which provides a framework and a solid foundation for achieving a high standard of accountability and transparency.

Corporate Governance Practices

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2016, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.6.7

Pursuant to code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Guoping, a then Independent Non-executive Director, did not attend the annual general meeting and the first special general meeting of the Company for the year 2016 due to other business engagements.

In addition, due to Mr. Yang Chao's retirement as an Independent Non-executive Director, the Company since 1 January 2016 temporarily failed to comply with Rule 3.10A of the Listing Rules, which requires that the independent non-executive directors of the Company must represent at least one-third of the board. Following the appointment of Mr. Ma Lishan as an Independent Non-executive Director on 31 March 2016, such non-compliance was rectified.

Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. Mr. Wang Zi Xiong, a then Executive Director was appointed as a member of the Audit Committee of the Company on 4 December 2015 due to unintended administration arrangement and ceased to be a member thereof on 31 March 2016 with a view to fulfilling the requirements of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

Board of Directors

Throughout the year ended 31 December 2016, the Company has complied with the Board's practices and procedures as set out in the Listing Rules.

Board Composition

As at 31 December 2016, the Board consists of eleven Directors, including seven Executive Directors, namely, Mr. He Binwu, Mr. Peng Xinkuang, Mr. Chen Donghui, Mr. Chen Chao, Mr. Shi Janson Bing, Mr. Zhu Qiang and Ms. Qin Wenying; and four Independent Non-executive Directors, namely, Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.

Save as disclosed in the above section "Directors and Senior Management", there is no financial, business, family or other material/relevant relationship amongst the Directors.

Corporate Governance Report

Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board formulates, approves and monitors Group-wide strategies and policies, evaluates the performance of the Company, and supervises the management of the Company. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer of the Group.

Chairman and Chief Executive Officer

The Chairman of the Company is responsible for formulating, developing and reassessing the Group's strategies and policies and for all Board matters. The Chief Executive Officer of the Group is responsible for the execution of the Group's business strategies and plans. The positions of the Chairman of the Company and the Chief Executive Officer of the Group are held by separate individuals so as to maintain an effective segregation of duties.

Independent Non-executive Directors

As at 31 December 2016, the Board has 11 members with 4 of them being Independent Non-executive Directors. This satisfies both the requirements of having at least 3 Independent Non-executive Directors under Rule 3.10(1) of the Listing Rules, as well as of having Independent Non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The functions of Independent Non-executive Directors include:

- expressing an independent view and judgement at Board meetings;
- taking the lead to identify potential conflicts of interests if any;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The Independent Non-executive Directors have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They gave the Board and the Board committees the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Corporate Governance Function

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct applicable to employees and the Directors; and
(e) to review the Company's compliance with the CG Code and its disclosure in the Corporate Governance Report.

Corporate Governance Report

Meetings

The Board meets at least four times a year at approximately quarterly intervals. During 2016, the Board held fourteen meetings to review the financial performance, annual and interim results, material investments and other significant matters of the Group. The Bye-laws of the Company provides for the convening of the Board or Board committee meetings by way of telephonic or similar communications.

The attendance records of the Directors at the Board meetings, the Board committee meetings, the annual general meeting and the special general meeting of the Company for the financial year ended 31 December 2016 are set out below:

		Attendance/Number of Meetings (during Director's tenure)						
		Board	Audit Committee	Nomination Committee	Remuneration Committee	Investment Committee	Annual General	Special General
Executive Directors								
He Binwu	*(Note 1)*	13/14		2/2		3/3	1/1	2/2
Peng Xinkuang		13/14				4/4	1/1	2/2
Chen Donghui	*(Note 2)*	2/6					0/0	0/2
Chen Chao		10/14					1/1	0/2
Shi Janson Bing		12/14					1/1	2/2
Zhu Qiang	*(Note 3)*	13/14				2/2	1/1	0/2
Qin Wenying	*(Note 4)*	5/6					0/0	2/2
Wang Zi Xiong	*(Note 5)*	7/8	1/1		1/1	1/1	1/1	0/0
Zhao Xiaodong	*(Note 6)*	6/8				1/1	0/1	0/0
Independent Non-executive Directors								
Zhuo Fumin	*(Note 7)*	12/14	3/3	2/2	4/4	1/1	1/1	2/2
Chan, Charles Sheung Wai	*(Note 8)*	12/14	3/3		4/4	1/1	1/1	2/2
Ma Lishan	*(Note 9)*	7/11		0/1	2/3	3/3	1/1	2/2
Han Gensheng	*(Note 10)*	1/3	1/1				0/0	0/0
Yang Chao	*(Note 11)*	0/0					0/0	0/0
Guoping	*(Note 12)*	10/11	2/2	1/1		1/1	0/1	1/2

Notes:

1. Mr. He Binwu was appointed as the chairman of the Investment Committee of the Company on 31 March 2016.
2. Mr. Chen Donghui was appointed as an Executive Director on 6 June 2016.
3. Mr. Zhu Qiang was appointed as a member of the Investment Committee of the Company on 8 June 2016.
4. Ms. Qin Wenying was appointed as an Executive Director on 6 June 2016.
5. Mr. Wang Zi Xiong ceased to be a member of the Audit Committee, the Remuneration Committee and the Investment Committee of the Company on 31 March 2016. He resigned as an Executive Director and the Vice-Chairman of the Company on 6 June 2016.
6. Mr. Zhao Xiaodong was appointed as a member of the Investment Committee of the Company on 31 March 2016. He resigned as an Executive Director and a member of the Investment Committee of the Company on 6 June 2016.
7. Mr. Zhuo Fumin ceased to be the chairman of the Investment Committee of the Company on 31 March 2016.
8. Mr. Chan, Charles Sheung Wai ceased to be a member of the Investment Committee of the Company and was re-designated as a member of the Remuneration Committee of the Company on 31 March 2016.
9. Mr. Ma Lishan was appointed as an Independent Non-executive Director and the chairman of the Remuneration Committee and a member of the Nomination Committee and the Investment Committee of the Company on 31 March 2016.
10. Mr. Han Gensheng was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 12 October 2016.
11. Mr. Yang Chao retired as an Independent Non-executive Director on 1 January 2016.
12. Mr. Guoping ceased to be a member of the Nomination Committee and the Investment Committee of the Company on 31 March 2016. He resigned as an Independent Non-executive Director and a member of the Audit Committee of the Company on 12 October 2016.

Apart from regular Board meetings, the Chairman of the Company also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the financial year ended 31 December 2016.

Board papers are circulated and the Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company maintains a procedure for the Directors to seek independent professional advice in appropriate circumstances.

Board Committees

The Board has established 4 committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee. These committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The respective terms of reference is available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited. The Company has provided sufficient resources to the Board committees to perform their duties.

Audit Committee

The Company has established the Audit Committee of the Company. During the financial year ended 31 December 2016, the Audit Committee of the Company comprises three members as follows:

Independent Non-executive Directors	
Mr. Chan, Charles Sheung Wai – Chairman	
Mr. Zhuo Fumin – Member	
Mr. Han Gensheng – Member	*(appointed on 12 October 2016)*
Mr. Guoping – Member	*(resigned on 12 October 2016)*

Mr. Wang Zi Xiong, a then Executive Director was appointed as a member of the Audit Committee of the Company on 4 December 2015 due to unintended administration arrangement and ceased to be a member thereof on 31 March 2016 with a view to fulfilling the requirements of the Listing Rules.

The major duties of the Audit Committee of the Company include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the interim and annual reports before submission to the Board;
- to review the Group's financial controls, risk management and internal control and ensure that the management has discharged its duty to have effective risk management and internal control systems;

Corporate Governance Report

- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

- to review and consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget;

- to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and monitor the effectiveness of the internal audit function;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

The Audit Committee of the Company has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to reasonable resources and assistance from the management to discharge its duties properly.

In 2016, the Audit Committee of the Company held three meetings to, among other things, review the interim and annual results of the Group, revise the terms of reference and change the member of the Audit Committee of the Company, and review other significant matters. The Audit Committee of the Company had reviewed the Group's significant internal control and financial matters, and discussed with the management of the Company and the external auditors. The Audit Committee of the Company had also reviewed the audit plans and findings of the external auditors, the independence of the external auditors, the Group's accounting principles and practices, the Listing Rules and statutory compliance, financial reporting, internal control and risk management. The attendance record of each committee member is shown on page 52 in the section of Meetings of this report.

The Audit Committee of the Company had met the external auditors three times during the financial year ended 31 December 2016. There was no disagreement between the Board and the Audit Committee of the Company regarding the selection and appointment of external auditors. The Audit Committee of the Company is satisfied that the external auditors is able to meet the audit obligations of the Company.

The external auditors of the Company were invited to attend the meeting without the presence of the management to discuss with the Audit Committee of the Company issues arising from the audit and financial reporting matters.

Nomination Committee

The Company has established the Nomination Committee of the Company. During the financial year ended 31 December 2016, the Nomination Committee of the Company comprises three members as follows:

Executive Director
Mr. He Binwu – Chairman

Independent Non-executive Directors
Mr. Zhuo Fumin – Member
Mr. Ma Lishan – Member *(appointed on 31 March 2016)*
Mr. Guoping – Member *(ceased on 31 March 2016)*

The major duties of the Nomination Committee of the Company include:

- to review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on selection of individual nominated for directorships;

- to assess the independence of the Independent Non-executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the Chairman of the Company and the Chief Executive Officer of the Group, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;

- to determine the policy for nomination of the Directors; and

- to review the board diversity policy on a regular basis and recommend revisions, if any, to the Board for consideration and approval.

In 2016, the Nomination Committee of the Company held two meetings. The Nomination Committee of the Company had reviewed the structure, size, composition and diversity of the Board, considered the appointments of the Directors in the Company, revised the terms of reference and changed the members of the Nomination Committee of the Company.

The Company had also assessed the independence of all the Independent Non-executive Directors and considers that all of them are independent under Rule 3.13 of the Listing Rules, having taken into account (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

The Board adopted the board diversity policy setting out the approach to achieve diversity on the Board. In assessing the Board composition, the Nomination Committee of the Company would take into account various aspects set out in the policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. In identifying and selecting suitable candidates for directorships, the Nomination Committee of the Company would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. The Nomination Committee of the Company would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee of the Company would also review the board diversity policy, as appropriate, to ensure its effectiveness and recommend any proposed revisions to the Board for approval.

The nomination procedures for the Directors can be accessed from the website of the Company. The attendance record of each committee member is shown on page 52 in the section of Meetings of this report.

Corporate Governance Report

Appointment, Re-election and Removal of Directors

The Nomination Committee of the Company assessed the skills, knowledge and experience of Mr. Ma Lishan and Mr. Han Gensheng, Independent Non-executive Directors appointed during the financial year ended 31 December 2016 and unanimously recommended to the Board for their appointments as Independent Non-executive Directors. Mr. Ma and Mr. Han did not participate in deliberation on their own appointments.

Pursuant to the letters of appointment, all Independent Non-executive Directors are appointed for a term of two years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

The procedures and processes of appointment, re-election and removal of the Directors are laid down in the Bye-laws of the Company. Recommendations for appointments and re-appointments of the Directors and appointments of the members of various Board committees are made by the Nomination Committee of the Company to the Board for consideration and appointment. Any Director appointed by the Board shall hold office only until, and shall retire on, the next following annual general meeting of the Company. The Bye-laws of the Company provides that at each annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. If the Directors obliged to retire who then wish to retire and not offer themselves for re-election account for less than one-third, those who have been longest in office since their last re-election or appointment shall retire to make up for the shortfall. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the shareholders at the annual general meeting of the Company.

Mr. He Binwu, Mr. Peng Xinkuang, Mr. Chen Chao and Mr. Shi Janson Bing will be retiring by rotation pursuant to the bye-law 87 of Bye-laws of the Company at the forthcoming annual general meeting of the Company, and Mr. Han Gensheng will be retiring pursuant to the bye-law 86(2) of Bye-laws of the Company at the forthcoming annual general meeting of the Company. The retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Company has established the Remuneration Committee of the Company. During the financial year ended 31 December 2016, the Remuneration Committee of the Company comprises three members as follows:

Independent Non-executive Directors	
Mr. Ma Lishan – Chairman	*(appointed on 31 March 2016)*
Mr. Chan, Charles Sheung Wai – Member	*(re-designated on 31 March 2016)*
Mr. Zhuo Fumin – Member	
Executive Director	
Mr. Wang Zi Xiong – Member	*(ceased on 31 March 2016)*

The major duties of the Remuneration Committee of the Company include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Company;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- to make recommendations to the Board on the remuneration of Non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

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

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

- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee of the Company should consult the Chairman of the Company and/or the Chief Executive Officer of the Group about their remuneration proposals for other Executive Directors and have assess to independent professional advice if necessary.

In 2016, the Remuneration Committee of the Company held four meetings. The Remuneration Committee of the Company had reviewed the Company's remuneration policies and the remuneration packages of the Directors, reviewed and recommended the remuneration of the new Directors, and reviewed other significant matters. No Director should involve in deciding his own remuneration. The attendance record of each committee member is shown on page 52 in the section of Meetings of this report.

Details of the Directors' and senior management's remuneration are set out in note 11 and 45(b)(v) to the consolidated financial statements. In addition, pursuant to the Code Provision B.1.5 of the CG Code, the annual remuneration of other members of the senior management (other than the Directors) by bands for the year ended 31 December 2016 is set out below:

	Number of employees
RMB0 to RMB1,000,000	1
RMB1,000,001 to RMB3,000,000	2
RMB3,000,001 to RMB7,000,000	2

Investment Committee

The Company has established the Investment Committee of the Company. During the financial year ended 31 December 2016, the Investment Committee of the Company comprises four members as follows:

Independent Non-executive Directors	
Mr. Zhuo Fumin – Chairman	*(ceased on 31 March 2016)*
Mr. Chan, Charles Sheung Wai – Member	*(ceased on 31 March 2016)*
Mr. Guoping – Member	*(ceased on 31 March 2016)*
Mr. Ma Lishan – Member	*(appointed on 31 March 2016)*
Executive Directors	
Mr. He Binwu – Chairman	*(appointed on 31 March 2016)*
Mr. Peng Xinkuang – Member	
Mr. Zhu Qiang – Member	*(appointed on 8 June 2016)*
Mr. Zhao Xiaodong	*(appointed on 31 March 2016 and resigned on 6 June 2016)*
Mr. Wang Zi Xiong – Member	*(ceased on 31 March 2016)*

Corporate Governance Report

The major duties of the Investment Committee of the Company include:

- to review the management's recommended investment opportunities, objectives, strategies, policies and guidelines that direct the investment of the portfolio;
- to review the management's recommended portfolio financial goals and requirements, including asset allocation, risk tolerance, investment time horizon and capital adequacy;
- to review and evaluate the performance of the investment portfolio regularly to assure adherence to policy guidelines and monitor progress toward achieving investment objectives; and
- to review the shares purchase, redemption or other share acquisition activities be conducted by the Company.

In 2016, the Investment Committee of the Company held four meetings. The Investment Committee of the Company had reviewed the Company's investments. The attendance record of each committee member is shown on page 52 in the section of Meetings of this report.

Directors' Training and Commitment

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they have complied with the Code Provision A.6.5 of the CG Code on directors' training. During the financial year ended 31 December 2016, the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

		Topics	
Name of Directors		**Legal, Regulatory and Corporate Governance**	**Directors' Roles, Functions and Duties**
Executive Directors			
He Binwu		✔	✔
Peng Xinkuang		✔	✔
Chen Donghui	*(appointed on 6 June 2016)*	✔	✔
Chen Chao		✔	✔
Shi Janson Bing		✔	✔
Zhu Qiang		✔	✔
Qin Wenying	*(appointed on 6 June 2016)*	✔	✔
Wang Zi Xiong	*(resigned on 6 June 2016)*	✔	✔
Zhao Xiaodong	*(resigned on 6 June 2016)*	✔	✔
Independent Non-executive Directors			
Zhuo Fumin		✔	✔
Chan, Charles Sheung Wai		✔	✔
Ma Lishan	*(appointed on 31 March 2016)*	✔	✔
Han Gensheng	*(appointed on 12 October 2016)*	✔	✔
Yang Chao	*(retired on 1 January 2016)*		
Guoping	*(resigned on 12 October 2016)*	✔	✔

Confirmation has been received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, the Directors have been disclosing to the Company their interests as the director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

Directors' and Officers' Liabilities

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the financial year ended 31 December 2016, no legal action was made against any of the Directors and officers in relation to duties performed for the Company.

Company Secretary

The company secretary of the Company is an employee of the Company, and is responsible for facilitating the procedures of the Board and advising the Board on corporate governance matters. During the year under review, the company secretary of the Company has taken not less than 15 hours of relevant professional training.

Directors' Responsibilities for the Financial Statements

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group's consolidated financial statements based on their audit, for particulars please refer to the "Independent Auditors' Report" section of this report. The Board should ensure such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard of this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority designed to help the business to achieve its objectives, to safeguard assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

During the year ended 31 December 2016, the Board examined the effectiveness of the risk management and internal control system of the Group through the Audit Committee of the Company on an annual basis, including financial, operational compliance and risk management aspects, and considered that the risk management and internal control system is effective and adequate and the Group has complied with the code provisions on risk management and internal control of the CG Code.

Auditor's Remuneration

During the year, the auditor of the Company, PricewaterhouseCoopers, Certified Public Accountants charged RMB4,500 thousand for annual audit services and no non-audit services had been provided.

Corporate Governance Report

Investor Relations

The Company uses a number of formal communications channels to account to its shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting of the Company providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the website of the Company; (iv) the Company's website offering a communication platform between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders of the Company regarding all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to shareholders of the Company in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circular, notices, announcements and other corporate communications.

Investors may write to the Company at the principal place of business or via email to general@sregroup.com.hk for any enquiries.

During the year ended 31 December 2016, there is no change in the constitutional documents of the Company. The Memorandum of Association and Bye-laws of the Company are available on the website of the Company.

Shareholders' Right to convene and put forward Proposals at Special General Meetings

Pursuant to the Bye-laws of the Company, members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board and the Secretary of the Company at the principal place of business at the address which set out in Corporate Information of this annual report, to require a special general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner.

Independent Auditor's Report

羅兵咸永道

To The Shareholders of SRE Group Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 188, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Fair value of investment properties
- Recoverability of receivables
- Purchase price allocation related to business combination

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Key Audit Matters (continued)

Key Audit Matter 1

Fair Value of Investment Properties

Refer to Note 3 (Significant accounting estimates and judgements) and Note 18 (Investment properties) of the consolidated financial statements.

The Group's investment properties were measured at fair value and carried at approximately RMB5,271 million as at 31 December 2016 with a net revaluation loss of approximately RMB17 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group.

We focused on this area due to the valuation results of the investment properties are significant to the financial statements and the valuation of the investment properties was highly dependent on a range of assumptions, such as future rental rates, revisionary rates, estimated vacancy rates, yield rates and refurbishment costs.

How our audit addressed the Key Audit Matter

We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group.

We obtained and read the valuation report issued by the Valuer for each of the investment properties, and assessed the appropriateness of valuation method applied by the Valuer.

For all the valuation reports, we matched the data including rental income, rentable areas and lease terms, to the underlying property records held by the Group. We checked the data used in the valuations to the rent rolls and the rent rates as stated in the relevant lease contracts as well as the location, the size and the age of the properties with property certificates.

We paid site visit to each of the investment properties and observed physical conditions of the properties. We also discussed with management to understand the basis of their consideration applied in the property valuations in light of physical conditions of the properties.

We corroborated the key assumptions used in the valuations of all the investment properties, including future rental rates, revisionary rates, estimated vacancy rates, yield rates and refurbishment rates by gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties.

We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations.

We also tested the mathematical accuracy used in the valuations for all the investment properties by recalculating the valuation values.

Based on the above procedures performed, we found the data used and the key assumptions adopted in management's valuation assessments, were supportable by the evidence we gathered.

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Key Audit Matters (continued)

Key Audit Matter 2

Recoverability of Receivables

Refer to Note 3 (Significant accounting estimates and judgements), Note 25 (Other receivables) and Note 26 (Trade receivables and notes receivable) of the consolidated financial statements.

As at 31 December 2016, the Group had a balance of other receivables of approximately RMB1,729 million and a balance of trade receivables of approximately RMB52 million (before provision), with a provision for impairment of approximately RMB51 million and approximately RMB27 million, respectively. The impairment was provided for those receivables which are subject to high collectability risk due to their aging status, financial difficulty of the debtors, default in payments, relevant legal dispute and other indicators for a decrease in the estimated future cash flows.

The Group estimated impairment losses at year end based on the available information, including the financial position of the debtors, litigation progress and value of pledged assets, etc.

We focused on this area because the amount of impairment is significant to the consolidated financial statements and the significant judgements and estimates involved in assessing recoverability of the receivables.

How our audit addressed the Key Audit Matter

We assessed and tested the design and operating effectiveness of key management controls over impairment assessment and calculations.

For receivables with material balance, we obtained and read the agreements and the supplemental agreements if applicable. We also checked the settlement history as well as subsequent settlement after year end date. For receivables with disputes, we checked the litigation progress, latest court decisions, and legal counsel's opinion whereas necessary.

We further evaluated management's assessment on impairment provisions by:

- interviewed and collaborated with the Group's risk management department responsible for the collection of the receivables or for monitoring the status of the receivables to assess the rationale of making the accounting estimates;

- assessed the financial position of the debtors, where information is available;

- assessed other alternative and available sources of settlement, including the value of the pledged assets or the financial status of the financial guarantors.

We found management's assessment on impairment provision of receivables was supportable by evidence obtained.

Independent Auditor's Report

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Key Audit Matters (continued)

Key Audit Matter 3

Purchase Price Allocation Related to Business Combination

Refer to Note 3 (Significant accounting estimates and judgements) and Note 40 (Business combination) of the consolidated financial statements.

During the year, the Group made a major acquisition of certain businesses from China New Town Development Co., Ltd. ("CNTD") at a total consideration of approximately RMB1,315 million, comprising approximately RMB238 million as consideration for equity interest of certain businesses and the repayment of approximately RMB1,077 million of payables due to CNTD and/or its subsidiaries.

The acquisition includes identifiable assets and liabilities by approximately RMB2,823 million and approximately RMB2,532 million, respectively and resulted in a negative goodwill of approximately RMB6 million for the attributable net assets of approximately RMB244 million acquired by the Group.

Accounting for the acquisition requires a fair value exercise for identifiable assets and liabilities. Management had engaged an external valuer (the "Valuer") to perform the valuation to assist with the fair value exercise. The purchase price was allocated to the identifiable assets and liabilities acquired based on management's estimates.

We focused on this area because significant judgements were necessary to determine the fair values of the identifiable assets acquired and liabilities assumed and the significance of the amounts in the identifiable assets and liabilities.

How our audit addressed the Key Audit Matter

We obtained and read the acquisition master agreement and related supplemental agreements and assessed the implications to the consolidated financial statements.

The fair values of identifiable assets and liabilities are based on the valuation report issued by the Valuer. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group.

We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer for each type of identifiable assets and liabilities.

For inputs used in valuations, we performed the following procedures:

- For inputs which are based on actual amounts, we tested the inputs by comparing them to title certificates, contracts, accounting records, ledgers and other relevant documents, on a sample basis.

- For inputs which are assumptions, such as yield rate, discount rate, etc. we assessed its appropriateness by comparing them to market analysis and involve our internal valuation specialists, where appropriate, to assist us in assessing its reasonableness.

We also tested the mathematical accuracy used in the valuations by recalculating the valuation values.

Based on the above procedures performed, we found the Group's determination of fair values of the identifiable assets and liabilities was supportable by evidences obtained.

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Other Information

The directors of the Company are responsible for the other information set out in the Company's 2016 Annual Report. The other information comprises the information included in the chairman's statement and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, introduction of the Group, financial summary, directors and senior management, report of the directors, corporate governance report and environmental, social and governance report which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Other than certain inconsistencies which were subsequently corrected, we have nothing to report in this regard.

When we read the corporate information, introduction of the Group, financial summary, directors and senior management, report of the directors, corporate governance report and environmental, social and governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang Kwong Fung, Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2017

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2016	2015 (Restated) Note 2.2(a) Note 42
Continuing operations			
Revenue	5	**3,363,771**	1,257,885
Cost of sales	7	**(2,766,689)**	(2,404,128)
Gross profit/(loss)		**597,082**	(1,146,243)
Gains from acquisition and disposal of subsidiaries – net	40, 43	**11,903**	193,633
Other losses – net	6	**(127,232)**	(343,713)
Selling and marketing expenses	7	**(73,053)**	(271,168)
Administrative expenses	7	**(334,505)**	(260,141)
Operating profit/(loss)		**74,195**	(1,827,632)
Finance income	9	**27,892**	30,589
Finance costs	10	**(414,781)**	(275,633)
Finance costs – net		**(386,889)**	(245,044)
Share of results of associates	21	**465,549**	798
Share of results of joint ventures	22	**(1,464)**	–
Profit/(loss) before income tax		**151,391**	(2,071,878)
Income tax (expense)/credit	12	**(287,595)**	185,465
Loss for the year from continuing operations		**(136,204)**	(1,886,413)
Discontinued operation			
Gain from disposal of discontinued operation	42	**495,569**	–
Loss from discontinued operation for the year	42	**(16,337)**	(96,233)
Profit/(loss) for the year from discontinued operation		**479,232**	(96,233)
Profit/(loss) for the year		**343,028**	(1,982,646)
Other comprehensive income/(losses), net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**(3,629)**	–
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR		**339,399**	(1,982,646)

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2016	2015 (Restated) Note 2.2(a) Note 42
Profit/(loss) attributable to:			
Owners of the Company		**231,760**	(1,899,412)
Non-controlling interests		**111,268**	(83,234)
		343,028	(1,982,646)
Profit/(loss) attributable to owners of the Company from:			
Continuing operations		**(254,660)**	(1,845,522)
Discontinued operation		**486,420**	(53,890)
		231,760	(1,899,412)
Total comprehensive income attributable to:			
Owners of the Company		**228,131**	(1,899,412)
Non-controlling interests		**111,268**	(83,234)
		339,399	(1,982,646)
Total comprehensive income attributable to owners of the Company from:			
Continuing operations		**(258,289)**	(1,845,522)
Discontinued operation		**486,420**	(53,890)
		228,131	(1,899,412)
Earnings/(loss) per share from continuing operations and discontinued operation attributable to owners of the Company	14		
– Basic			
From continuing operations		**RMB(0.01)**	RMB(0.27)
From discontinued operation		**RMB0.02**	RMB(0.01)
		RMB0.01	RMB(0.28)
– Diluted			
From continuing operations		**RMB(0.01)**	RMB(0.27)
From discontinued operation		**RMB0.02**	RMB(0.01)
		RMB0.01	RMB(0.28)

The notes on pages 76 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

		31 December		
	Notes	**2016**	2015 (Restated) Note 2.2(a)	2014 (Restated) Note 2.2(a)
ASSETS				
Non-current assets				
Property, plant and equipment	17	**762,600**	392,786	1,319,376
Investment properties	18	**5,270,895**	4,796,996	5,292,975
Prepaid land lease payments	19	**208,759**	42,596	104,942
Goodwill	20	**16,271**	190,491	449,143
Investments in associates	21	**962,655**	46,137	45,372
Investments in joint ventures	22	**1,281,119**	–	–
Deferred tax assets	33	**242,837**	259,956	311,088
Non-current prepayments	24	–	–	5,000
Available-for-sale investments	16	**380,806**	10,000	10,000
Other non-current assets	29	**71,519**	–	27,000
		9,197,461	5,738,962	7,564,896
Current assets				
Prepaid land lease payments	19	**2,632,148**	3,935,806	9,619,211
Properties held or under development for sale	23	**3,197,085**	4,350,359	7,390,140
Inventories		**620**	14,791	14,211
Prepayments and other current assets	24	**373,513**	2,197,651	2,660,660
Other receivables	25	**1,678,141**	302,426	306,976
Trade receivables	26	**24,863**	58,345	37,358
Notes receivable	26	–	540	–
Prepaid income tax	12	**96,623**	155,927	189,938
Available-for-sale investments	16	**262,000**	1,500	–
Loans and receivables	28	**165,000**	214,400	–
Cash and cash equivalents	27	**1,509,924**	1,430,759	451,392
Restricted cash	27	**2,933**	1,124,330	1,212,396
		9,942,850	13,786,834	21,882,282
Assets classified as held for sale	41	**3,570,569**	9,629,653	–
		13,513,419	23,416,487	21,882,282
Total assets		**22,710,880**	29,155,449	29,447,178

Consolidated Statement of Financial Position

As at 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2016	2015 (Restated) Note 2.2(a)	2014 (Restated) Note 2.2(a)
EQUITY AND LIABILITIES				
Equity				
Issued share capital and share premium	30	**6,747,788**	6,747,788	5,574,532
Other reserves	31	**212,830**	148,076	147,404
(Accumulated losses)/retained profits		**(286,239)**	(492,969)	1,407,148
Equity attributable to owners of the Company		**6,674,379**	6,402,895	7,129,084
Non-controlling interests		**377,682**	332,742	447,152
Total equity		**7,052,061**	6,735,637	7,576,236
LIABILITIES				
Non-current liabilities				
Interest-bearing bank and other borrowings	32	**2,847,984**	2,091,610	9,754,751
Deferred tax liabilities	33	**1,260,879**	1,380,405	1,699,962
		4,108,863	3,472,015	11,454,713
Current liabilities				
Interest-bearing bank and other borrowings	32	**3,917,484**	7,056,113	5,703,092
Advances received from the pre-sale of properties under development	34	**1,141,086**	1,978,347	1,216,685
Trade payables	35	**792,301**	682,361	1,684,804
Other payables and accruals	36	**4,409,776**	801,291	569,207
Current income tax liabilities		**1,116,805**	1,031,665	1,242,441
		11,377,452	11,549,777	10,416,229
Liabilities directly associated with the assets classified as held for sale	41	**172,504**	7,398,020	–
		11,549,956	18,947,797	10,416,229
Total liabilities		**15,658,819**	22,419,812	21,870,942
Total equity and liabilities		**22,710,880**	29,155,449	29,447,178

The notes on pages 76 to 188 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 68 to 188 were approved by the Board of Directors on 27 March 2017 and were signed by the following Directors on its behalf:

He Binwu
Chairman

Peng Xinkuang
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 30)	Other reserves (Note 31)	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2016 (Restated)	6,747,788	148,076	(492,969)	6,402,895	332,742	6,735,637
Comprehensive income						
Profit for the year	–	–	231,760	231,760	111,268	343,028
Other comprehensive losses	–	(3,629)	–	(3,629)	–	(3,629)
Total comprehensive income for the year	–	(3,629)	231,760	228,131	111,268	339,399
Transactions with owners						
Appropriation from retained earnings	–	25,030	(25,030)	–	–	–
Acquisition of subsidiaries (Notes 40 and 49)	–	–	–	–	54,410	54,410
Disposal of subsidiaries (Notes 42 and 43)	–	–	–	–	(121,738)	(121,738)
Capital contributions from non-controlling shareholders	–	–	–	–	1,000	1,000
Share-based payments (Note 15)	–	43,353	–	43,353	–	43,353
Total transactions with owners	–	68,383	(25,030)	43,353	(66,328)	(22,975)
At 31 December 2016	6,747,788	212,830	(286,239)	6,674,379	377,682	7,052,061

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
(Restated)	Issued share capital and share premium (Note 30)	Other reserves (Note 31)	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
At 1 January 2015	5,574,532	147,404	1,407,148	7,129,084	447,152	7,576,236
Comprehensive losses						
Loss for the year	–	–	(1,899,412)	(1,899,412)	(83,234)	(1,982,646)
Total comprehensive losses for the year	–	–	(1,899,412)	(1,899,412)	(83,234)	(1,982,646)
Transactions with owners						
Appropriation from retained earnings	–	705	(705)	–	–	–
Disposal of subsidiaries	–	–	–	–	(30,447)	(30,447)
Issue of shares	1,175,416	–	–	1,175,416	–	1,175,416
Share issue expenses	(2,160)	–	–	(2,160)	–	(2,160)
Change due to other reserve of an associate	–	(33)	–	(33)	–	(33)
Dividends to non-controlling shareholders	–	–	–	–	(729)	(729)
Total transactions with owners	1,173,256	672	(705)	1,173,223	(31,176)	1,142,047
At 31 December 2015	6,747,788	148,076	(492,969)	6,402,895	332,742	6,735,637

The notes on pages 76 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2016	2015 (Restated) Note 2.2(a)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from operations	37	530,500	3,737,876
Interest paid		(501,199)	(928,561)
Income tax paid		(85,738)	(139,718)
Net cash flows (used in)/from operating activities		(56,437)	2,669,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,532)	(35,141)
Proceeds from disposal of property, plant and equipment		4,462	1,324
Proceeds from disposal of subsidiaries, net of cash disposed		320,272	231,558
– Discontinued operation (Note 42)		557,191	–
– Others (Note 43)		(236,919)	231,558
Payments for direct acquisition and costs incurred of investment properties		(1,053,959)	(2,077)
Proceeds from disposal of available-for-sale investments		11,500	–
Acquisition of subsidiaries, net of cash acquired	40	(1,276,720)	–
Addition of available-for-sale investments		(642,806)	(1,500)
Investments in joint ventures		(1,079,798)	–
Advance to a joint venture		(377,628)	–
Return of advances made to an associate		356,560	–
Advance received in relation to disposal of subsidiaries		2,305,000	103,960
Collection of due from subsidiaries associated with disposal of these subsidiaries		1,094,234	–
Settlement of receivables in connection with acquisition of Konmen Investment Limited		–	9,599
Increase in loans to third parties		–	(214,400)
Dividends received from an associate		631	–
Interest received		3,022	68,903
Payments for other investing activities		(93,938)	–
Net cash flows (used in)/from investing activities		(430,700)	162,226

Consolidated Statement of Cash Flows

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2016	2015 (Restated) Note 2.2(a)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	1,175,416
Payment of share issue expenses		–	(2,160)
Decrease in restricted cash		**1,120,109**	88,070
Proceeds from short-term borrowings		**3,850,230**	1,926,237
Repayments of short-term borrowings		**(3,015,068)**	(1,207,280)
Proceeds from long-term borrowings		**2,566,173**	298,287
Repayments of long-term borrowings		**(4,902,665)**	(3,575,314)
Advance to a non-controlling interest of a subsidiary		**(204,330)**	–
Advance from a related party		**600,000**	–
Dividends paid to non-controlling shareholders of a subsidiary		–	(729)
Net cash flows from/(used in) financing activities		**14,449**	(1,297,473)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(472,688)**	1,534,350
Cash and cash equivalents at beginning of year		**1,983,167**	451,393
Effect of foreign exchange rate changes, net		**9,331**	(2,576)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,519,810**	1,983,167
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	27	**1,509,924**	1,430,759
Cash and cash equivalents attributable to assets classified to held for sale	41	**9,886**	552,408
Cash and cash equivalents as stated in the statement of cash flows		**1,519,810**	1,983,167

The notes on pages 76 to 188 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. CORPORATE AND GROUP INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company began to list on the Stock Exchange on 10 December 1999. The principal place of business of the Company in Hong Kong was changed from Suite 4006, 40/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong to Suites 1301-1302, 13/F, AIA Central, 1 Connaught Road Central, Hong Kong on 29 June 2016, and to Suite 1307, 13th Floor, AIA Central, 1 Connaught Road Central, Hong Kong on 15 November 2016.

Currently, the Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed markets.

As at 31 December 2016, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 60.78% of the Company's shares.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for investment properties and available-for-sale investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 2.4.

The preparation of consolidated financial statements in conformity with HKFRs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 3.

Going concern

In preparing the consolidated financial statements, the directors of the Company have considered the Group's sources of liquidity, its ability to maintain adequate cash inflow from operations and financing to meet its financial obligations as and when they fall due, and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The consolidated financial statements have been prepared under the going concern basis as the Company's parent company, China Minsheng Jiaye has undertaken to provide financial support to the Company, including the extension of timing for the repayment of a shareholder loan to the Company when it became due (Note 45), the provision of back to back indemnity for consequential losses arising from certain guarantees issued by the Group (Note 39), and other measures if necessary to ensure that the Group would be able to meet its obligations as and when they fall due in the foreseeable future.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and prepaid land lease payments for property development for sale and prepaid taxes) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Change in presentation currency

Having considered most of the Group's revenue and business activities are conducted in Mainland China and the functional currency of those subsidiaries in the Mainland China are RMB, the Company has decided to adopt and use RMB as the presentation currency in presenting the financial performance and the financial position of the Group effective for the year ended 31 December 2016, so as to better reflect the underlying performance of the Group and for better alignment with the underlying business operations of the Group. As a result, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its financial statements.

The change in presentation currency has been applied retrospectively. The comparative figures in the consolidated financial statements were then translated from HK$ to RMB using the applicable closing rates for assets and liabilities in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of profit and loss and other comprehensive income. Issued share capital and share premium, other reserves and accumulated losses/retained earnings were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

(b) New standard, amendments and improvements of HKFRSs adopted by the Group in 2016

The following new standard, amendments and improvements of HKFRSs have been adopted by the Group for the first time for the financial year beginning on 1 January 2016 and are relevant to the Group's operations:

HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 11	*Accounting for acquisitions of interests in joint operations*
Amendments to HKAS 16 and HKAS 38	*Clarification of acceptable methods of depreciation and amortisation*
Amendment to HKAS 27	*Equity method in separate financial statements*
Annual improvements 2012-2014 Cycle	*Affecting the following 4 standards:* HKFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"*, HKFRS 7 *"Financial Instruments: Disclosures"*, HKAS 19 *"Employee Benefits"* and HKAS 34 *"Interim Financial Reporting"*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment entities: applying the consolidation exception*
Amendments to HKAS 1	*Disclosure initiative*

The adoption of the above new standard, amendments and improvements of HKFRSs did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Certain new standards and amendments of HKFRSs have been published but are not yet effective for the annual period beginning on 1 January 2016. Those that are relevant to the Group's operations are as follows:

Amendments to HKAS 12	*Income Taxes (effective for annual periods beginning on or after 1 January 2017)*
Amendments to HKAS 7	*Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2017)*
HKFRS 9	*Financial Instruments (effective for annual periods beginning on or after 1 January 2018)*
HKFRS 15	*Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)*
HKFRS 16	*Leases (effective for annual periods beginning on or after 1 January 2019)*
Amendments to HKFRS 10 and HKAS 28	*Sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods to be announced)*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payments Transactions (effective for annual periods beginning on or after 1 January 2018)*

The Group has not early adopted any new accounting and financial reporting standards or amendments to existing standards of HKFRSs which have been issued but are not yet effective for the year ended 31 December 2016. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position, except for the new financial reporting standard HKFRS 15 *"Revenue from Contracts with Customers"* (effective for annual periods beginning on or after 1 January 2018) and HKFRS 9 *"Financial Instruments"* (effective for annual periods beginning on or after 1 January 2018) which the Group is currently assessing the impact of the standards.

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

The HKICPA has issued amendments to HKAS 12 "*Income Taxes*". These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The HKICPA has issued an amendment to HKAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the HKICPA's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract-certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 9 (2014) "*Financial Instruments*" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

HKFRS 16 "*Leases*" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "*Leases*", and related interpretations.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally between 20% and 50% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of the investee.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost 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 testing of the investments in subsidiaries is required upon receiving a dividend 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.

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Hotel buildings	Shorter of 40 years and the remaining terms of the leases, which range from 30 to 40 years
Other buildings	20 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fittings, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

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

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

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the statement of profit or loss and other comprehensive income as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Operating leases

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

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2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other gains in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in other losses.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income in other gains, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss and other comprehensive income, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, interest-bearing bank loans and other borrowings. Financial liabilities 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 the reporting period.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKAS 39 is recognised in the statement of profit or loss and other comprehensive income as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures, capitalised borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables used in hotel, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

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

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

Income tax

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Revenue recognition

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

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and instalments received on properties sold prior to completion of the respective sale agreements are included as advances received from the pre-sale of properties under development.

Property leasing under operating leases

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when it is reasonably certain that the lessee will exercise the option at the inception of the lease.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Construction of infrastructure for an intelligent network

Revenue from the construction of infrastructure for an intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method (out-put method) to determine the appropriate amount of revenue and costs to be recognised in a given period. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and it is probable that such costs incurred will be recovered.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Hotel operations

Revenue from hotel operations represents the income from hotel accommodation, conference hall services and the sale of related food and beverages, which is recognised when the services are rendered or goods are sold.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

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

Employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2015: 14% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of profit or loss and other comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

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

For a distribution of non-cash assets to shareholders, the Group measures the liability to distribute non-cash assets as a dividend to its shareholders at the net carrying amount of the assets to be distributed when the non-cash asset is ultimately controlled by the same parties both before and after the distribution.

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 Board that makes strategic decisions.

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its major subsidiaries' functional currency is Renminbi ("RMB"), as the major revenues are derived from operations in Mainland China. For the year ended 31 December 2016, the Group has changed its presentation currency from HK$ to RMB for the preparation of its financial statements (Note 2.2).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

(c) Group companies

The results and financial position 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:

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless such average rates are not the reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rates ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liabilities recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification of subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group.

The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate as disclosed in Notes 2.4.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was approximately RMB16 million (2015: approximately RMB190 million). For details of goodwill, please see Note 20.

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2016 and 31 December 2015 using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

For details of change in fair values of investment properties and further details including the key assumptions used for fair value measurement and a sensitivity analysis in 2016, please see Note 18.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

Purchase price allocation related to business combination

The purchase price was allocated to the identifiable assets and liabilities acquired based on management's estimates of fair value. The valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from existing rental fee or current prices in an active market for similar properties, together with the location, the size and the age of the properties, and uses assumptions that are mainly based on market conditions existing on acquisition date.

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of these provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective group entity.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities and income tax, please see Note 33 and Note 12.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

In April 2016, the Group decided to make a strategic shift in its business focus and disposed all its 56% equity interest in Shanghai Skyway Hotel Co., Ltd. ("Skyway") which owned and operated the major hotel of the Group. The Board considers that the remaining hotel operation after the disposal was no longer material to constitute a separate reportable segment in 2016. In the future, hotel operation will no longer be a business objective of the Group. The comparatives have been restated by separately disclosing Skyway under discontinued operation. The new reportable operating segments are as follows:

- The property development segment develops and sells residential and commercial properties;

- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

The other operations comprises, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including the remaining small scale hotel operation and provision of property management services.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows:

	2016					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment revenue						
Sales to external customers	3,001,624	80,847	281,300	3,363,771	38,760	3,402,531
Intersegment sales	–	–	32,116	32,116	–	32,116
	3,001,624	80,847	313,416	3,395,887	38,760	3,434,647
Reconciliation:						
Elimination of intersegment sales				(32,116)	–	(32,116)
Revenue				3,363,771	38,760	3,402,531
Segment (loss)/profit	(46,608)	33,606	87,197	74,195	550,246	624,441
Finance income				27,892	–	
Finance costs				(414,781)	(17,904)	
Finance costs – net				(386,889)	(17,904)	
Share of results of associates				465,549	–	
Share of results of joint ventures				(1,464)	–	
Profit before income tax				151,391	532,342	
Segment assets and liabilities						
Segment assets	11,133,274	5,498,330	3,835,502	20,467,106	–	20,467,106
Investments in associates						962,655
Investments in joint ventures						1,281,119
Total assets						22,710,880
Segment liabilities	3,771,484	4,184,257	7,703,078	15,658,819	–	15,658,819
Total liabilities	3,771,484	4,184,257	7,703,078	15,658,819	–	15,658,819

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2016					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Other segment information:						
Depreciation and amortisation	2,000	106	1,618	3,724	8,769	
Capital expenditure*	56	1,635	730	2,421	–	
Net fair value loss on investment properties	–	(17,361)	–	(17,361)	–	
Impairment of goodwill	98,354	–	–	98,354	–	
Reversal of impairment of properties held or under development for sale	(188,284)	–	–	(188,284)	–	
Reversal of impairment of prepaid land lease payments	(67,454)	–	–	(67,454)	–	
Provision for impairment of trade receivables	–	–	18,803	18,803	–	
Provision for impairment of loans and receivables	26,200	–	–	26,200	–	
Provision for impairment of other receivables	506	–	42,843	43,349	–	

* Capital expenditure consists of additions of property, plant and equipment (RMB869 thousand) and adjustment of investment properties (RMB 1,552 thousand).

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2015 (Restated)					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Segment revenue						
Sales to external customers	960,771	88,507	208,607	1,257,885	160,940	1,418,825
Intersegment sales	–	–	38,346	38,346	–	38,346
	960,771	88,507	246,953	1,296,231	160,940	1,457,171
Reconciliation:						
Elimination of intersegment sales				(38,346)	–	(38,346)
Revenue				1,257,885	160,940	1,418,825
Segment (loss)/profit	(1,675,748)	(57,717)	(94,167)	(1,827,632)	14,550	(1,813,082)
Finance income				30,589	153	
Finance costs				(275,633)	(110,936)	
Finance costs – net				(245,044)	(110,783)	
Share of profits of associates				798	–	
Loss before income tax				(2,071,878)	(96,233)	
Segment assets and liabilities						
Segment assets	20,522,204	5,170,293	1,946,746	27,639,243	1,470,069	29,109,312
Investments in associates						46,137
Total assets						29,155,449
Segment liabilities	17,652,837	2,388,314	1,758,479	21,799,630	620,182	22,419,812
Total liabilities	17,652,837	2,388,314	1,758,479	21,799,630	620,182	22,419,812

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2015 (Restated)					
	Continuing operations				Discontinued operation	
	Property development	Property leasing	Other operations	Subtotal	Skyway	Total
Other segment information:						
Depreciation and amortisation	5,119	203	1,153	6,475	35,541	
Capital expenditure*	13,526	(14,641)	2,943	1,828	10,436	
Net fair value loss on investment properties	–	57,408	–	57,408	–	
Impairment of goodwill	258,653	–	–	258,653	–	
Write-down of properties held or under development for sale	539,364	–	–	539,364	–	
Write-down of prepaid land lease payments	572,726	–	–	572,726	–	
Provision for impairment of prepayments and other current assets	–	–	11,250	11,250	–	
Provision for impairment of other non-current assets	–	–	21,750	21,750	–	
Provision for impairment of other receivables	1,643	–	4,000	5,643	–	

* Capital expenditure consists of additions of property, plant and equipment (RMB24,317 thousand), adjustment of investment properties (-RMB14,665 thousand) and prepaid land lease payments (RMB2,612 thousand).

Geographical information

(a) As of 31 December 2016, 99.5% (2015: 100%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2016, more than 88% (2015: more than 99%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

5. REVENUE

An analysis of revenue is as follows:

	2016	2015 (Restated)
Revenue from sale of properties	**3,253,664**	1,018,681
Revenue from property leasing (Note 18)	**77,220**	95,694
Revenue from property management	**97,390**	141,616
Revenue from construction of infrastructure for an intelligent network	**27,947**	7,364
Other revenue	**29,281**	70,842
	3,485,502	1,334,197
Less: Tax and surcharges (a)	**(121,731)**	(76,312)
Total revenue	**3,363,771**	1,257,885

(a) Tax and surcharges

Prior to 1 May 2016, business tax is calculated at 5% of the revenue from the sale of properties, hotel operations, the provision of property management services and property leasing and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Effective from 1 May 2016, the Company's revenue is subject to value-added tax ("VAT") which is deducted directly from the proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Sale and lease of properties is subject to VAT at 11%. Qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT.
- Revenue from property management services is subject to value-added tax at 6%.
- Revenue from construction of infrastructure for an intelligent network is subject to value-added tax at 11%.

Government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, are calculated at certain percentages of business tax and value-added tax.

6. OTHER LOSSES – NET

An analysis of other losses – net is as follows:

	2016	2015 (Restated)
Net fair value loss on investment properties (Note 18)	**(17,361)**	(57,408)
Net gain/(loss) on disposal of property, plant and equipment*	**3,960**	(33,698)
Impairment of goodwill (Note 20)	**(98,354)**	(258,653)
Others	**(15,477)**	6,046
	(127,232)	(343,713)

* Loss of 2015 include reversal of gain recognized in 2014 amounting to approximately RMB33 million, as sales could not be effected subsequently.

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7. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2016	2015 (Restated)
Cost of inventories sold (excluding depreciation, (reversal of impairment)/write-down of properties held or under development for sale and prepaid land lease payments)	**3,022,122**	1,291,679
Depreciation of items of property, plant and equipment (Note 17)	**3,687**	4,446
Employee benefit expenses (including directors' and chief executive officer's emoluments, excluding those capitalized in property under development):		
– Wages and salaries	**88,847**	108,357
– Other social welfares	**16,143**	18,284
– Share-based payments (Note 15)	**43,353**	–
	148,343	126,641
(Reversal of impairment)/write-down of properties held or under development for sale (Note 23)	**(188,284)**	539,364
(Reversal of impairment)/write-down of prepaid land lease payments (Note 19)	**(67,454)**	572,726
Professional service fees	**34,146**	4,757
Agent and sale commission for sale of properties	**32,486**	175,682
Operating lease payments in respect of buildings	**4,515**	12,605
Auditors' remuneration (*)		
– Annual audit services	**4,500**	4,810
– Non-audit services	**–**	750
Advertising costs	**19,650**	23,201
Miscellaneous tax	**23,561**	39,719
Transportation fee	**7,452**	8,257
Office expenses	**10,895**	5,585
Water and electricity costs	**4,475**	6,541
Business entertainment expenses	**–**	3,447
Provision for impairment of other receivables (Note 25)	**43,349**	5,643
Provision for impairment of trade receivables (Note 26)	**18,803**	–
Provision for impairment of loans and receivables (Note 28)	**26,200**	–
Provision for impairment of prepayments and other current assets	**–**	11,250
Provision for impairment of other non-current assets	**–**	21,750
Others	**25,801**	76,584
	3,174,247	2,935,437

* Auditors' remuneration for 2015 included non-audit service fees of RMB750 thousand in respect of services for circulars issued in 2015.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES

	2016	2015
Wages and salaries	88,847	108,357
Share-based payments (Note 15)	43,353	–
Pension costs – defined contribution plans	16,143	18,284
Total employee benefit expenses	148,343	126,641

(a) Pensions – defined contribution plans

All Chinese employees of the Group participate in defined contribution employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities. The Group has no other substantial commitments to employees.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included three directors (2015: three directors), details of whose remuneration are set out in Note 11. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	2016	2015 (Restated)
Salaries, housing allowances, other allowances and benefits in kind	9,951	3,301

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

	2016	2015
RMB3,000,001 – RMB7,000,000	2	–
RMB2,000,001 – RMB3,000,000	–	1
RMB1,000,001 – RMB2,000,000	–	1
	2	2

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

9. FINANCE INCOME

An analysis of finance income is as follows:

	2016	2015 (Restated)
Interest income	27,892	32,935
Net foreign exchange loss	–	(2,346)
	27,892	30,589

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015 (Restated)
Interest on bank borrowings and other borrowings	594,722	1,153,871
Less: Interest capitalised	(223,338)	(878,238)
Interest expense	371,384	275,633
Net foreign exchange loss	43,397	–
Finance costs	414,781	275,633

During the year ended 31 December 2016, the weighted average interest capitalisation rate was 6.90% (2015: 10.32%).

11. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out as follows:

	2016	2015 (Restated)
Fees	902	1,644
Other emoluments:		
Salaries	11,386	8,374
Share-based payments	31,089	–
	43,377	10,018

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

11. BENEFITS AND INTERESTS OF DIRECTORS (continued)

Executive directors, non-executive directors and independent non-executive directors:

	2016			
Name of directors and the chief executive officer	**Salaries**	**Fees**	**Share option scheme**	**Total**
Chairman				
– Mr. He Binwu	3,103	–	6,460	9,563
Executive directors				
– Mr. Wang Zi Xiong (resigned in 2016)	1,037	–	–	1,037
– Mr. Shi Jian (removed from December 2015)	–	–	–	–
– Mr. Shi Janson Bing	1,431	–	2,019	3,450
– Mr. Chen Chao	54	–	3,230	3,284
– Mr. Zhao Xiaodong (appointed in 2015 and resigned in 2016)	22	–	–	22
– Mr. Zhu Qiang	1,187	–	4,845	6,032
– Mr. Chen Donghui (appointed in 2016)	31	–	3,230	3,261
– Ms. Qin Wenying (appointed in 2016)	1,298	–	4,845	6,143
Independent non-executive directors				
– Mr. Chan, Charles Sheung Wai	–	300	–	300
– Mr. Zhuo Fumin	–	322	–	322
– Mr. Yang Chao (retired in 2016)	–	–	–	–
– Mr. Guoping (resigned in 2016)	224	–	–	224
– Mr.Ma Lishan (appointed in 2016)	–	211	–	211
– Mr.Han Gensheng (appointed in 2016)	–	69	–	69
Chief executive				
– Mr. Peng Xinkuang	2,999	–	6,460	9,459
Total	11,386	902	31,089	43,377

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

11. BENEFITS AND INTERESTS OF DIRECTORS (continued)

	2015 (Restated)		
Name of directors and the chief executive officer	Salaries	Fees	Total
Executive directors			
– Mr. Yu Hai Sheng (resigned in 2015)	201	–	201
– Mr. Wang Zi Xiong	2,027	–	2,027
– Mr. Shi Jian (suspension of duties from September 2015)	1,610	–	1,610
– Mr. Li Yao Min (resigned in 2015)	134	–	134
– Mr. Zhang Hongfei (resigned in 2015)	914	–	914
– Mr. Shi Lizhou (resigned in 2015)	843	–	843
– Mr. Shi Janson Bing (appointed in 2015)	572	–	572
– Mr. Ma Dayu (appointed and resigned in 2015)	942	–	942
– Mr. Li Genfa (appointed and resigned in 2015)	909	–	909
– Mr. He Binwu (appointed in 2015)	109	–	109
– Mr. Chen Chao (appointed in 2015)	4	–	4
– Mr. Zhao Xiaodong (appointed in 2015)	4	–	4
– Mr. Zhu Qiang (appointed in 2015)	4	–	4
Non-executive directors			
– Mr. Cheung Wing Yui (resigned in 2015)	–	290	290
– Mr. Jin Bing Rong (resigned in 2015)	–	266	266
Independent non-executive directors			
– Mr. Chan, Charles Sheung Wai	–	266	266
– Mr. Zhuo Fumin	–	290	290
– Mr. Yang Chao (will retire upon expiration of service term with effect from 1 January 2016)	–	266	266
– Mr. Guoping	–	266	266
Chief executive			
– Mr. Peng Xinkuang (Chief executive officer and appointed in 2015)	101	–	101
Total	8,374	1,644	10,018

No discretionary bonuses, inducement fees, employer's contribution to pension schemes or compensation for loss of office as directors were given to any of the directors during the years ended 31 December 2016 and 2015.

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

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 any time during the year.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

12. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2016	2015 (Restated)
Current taxation		
– Mainland China income tax (a)	117,500	33,510
– Mainland China LAT (c)	130,472	(19,917)
	247,972	13,593
Deferred taxation		
– Mainland China income tax	44,849	(160,242)
– Mainland China LAT	(3,047)	(13,673)
– Mainland China withholding tax (d)	(2,179)	(25,143)
	39,623	(199,058)
Total tax charge/(credit) for the year	287,595	(185,465)

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance recorded in "prepaid income tax" was approximately RMB33 million as at 31 December 2016 (2015: approximately RMB62 million).

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

12. INCOME TAX EXPENSE/(CREDIT) (continued)

(c) Mainland China land appreciation tax ("LAT") (continued)

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 2% to 5% (2015: 2% to 5%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB63 million as at 31 December 2016 (2015: approximately RMB94 million). The credit to the statement of profit or loss and other comprehensive income in 2015 was due to the reversal of provision upon the final assessment of LAT for certain projects.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

A reconciliation of the tax expense applicable to profit before income tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2016	2015 (Restated)
Profit/(Loss) before income tax	**151,391**	(2,071,878)
Tax at the applicable tax rate of 25%	**37,848**	(517,970)
Effect of different tax rate	**(560)**	–
Tax effect of results attributable to associates and joint ventures	**(116,021)**	(199)
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	**(31,856)**	8,398
Income not subject to tax	**(13,372)**	(13,628)
Tax losses not recognised	**204,186**	125,819
Impairment of goodwill	**24,588**	64,663
Expenses not deductible for tax	**3,038**	1,434
Temporary difference not recognised as deferred tax assets due to non-recoverability	**54,498**	144,808
Previously recognised deferred tax assets arising from tax losses and temporary difference written off	–	59,943
Effect of withholding tax at 10% on the retained profits expected to be distributed, for the Group's subsidiaries in Mainland China	**(2,179)**	(25,143)
Mainland China income tax	**160,170**	(151,875)
Mainland China LAT (including deferred LAT)	**127,425**	(33,590)
Total tax expense/(credit) for the year at the Group's effective tax rate	**287,595**	(185,465)

The share of taxes attributable to associates amounting to approximately RMB116 million (2015: approximately RMB0.1 million) is included in "share of results of associates" and "share of results of joint ventures" on the face of the consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

13. DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2016 (2015: nil).

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015 (Restated)
Loss from continuing operations attributable to owners of the Company	**(254,660)**	(1,845,522)
Profit/(loss) from discontinued operation attributable to owners of the Company	**486,420**	(53,890)
	231,760	(1,899,412)
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	6,807,727

(b) Diluted

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. The Company did not have any dilutive shares in 2015 but the share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2016, as the average annual market share price of the Company's shares was lower than assumed exercise price being the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on earnings/(loss) per share is anti-dilutive.

For the year ended 31 December 2015, diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share since the Company did not have dilutive shares.

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15. SHARE-BASED PAYMENTS

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme") to reward the contributions made by the employees that are eligible under the Scheme (the "Eligible Employees"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016, options to subscribe for a total of 1,073,717,976 new shares were offered to the Eligible Employees. The exercise price of the granted options is equal to the average closing prices per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the grant which is 14 July 2016. The options shall be vested in three tranches in accordance with the following vesting date and conditions: (i) 40% of the options shall be vested and exercisable from 30 August 2016 to 13 July 2021 at a condition of the Group achieving its target to turn losses into gains for the six months ended 30 June 2016; (ii) an additional 30% shall be vested and exercisable from 30 August 2017 to 13 July 2021 at a condition of the Group achieving a net profit of no less than 350 million for the six months ending 30 June 2017; and (iii) the remaining 30% shall be vested and exercisable from 30 August 2018 to 13 July 2021 at a condition of the Group achieving a growth rate of net profit of no less than 50% comparing the six months ending 30 June 2018 to the six months ending 30 June 2017. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**
At 1 January 2016	–	–
Granted	–	**1,073,718**
At 31 December 2016	–	**1,073,718**

As at 31 December 2016, out of the 1,073,718 thousands outstanding options, 429,487 thousands options were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date – 13 July	**Exercise price in HK$ per share option**	**Number of share options (thousands) 2016**
2021	**0.2132**	**1,073,718**

The fair value of options granted during the period determined using the Binomial valuation model was divided into three trenches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options to be vested on 30 August 2017 and HK$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively, and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. See Note 7 for the total expense recognised in the statement of profit or loss and other comprehensive income for share options granted to directors and employees.

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16. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015 (Restated)
At 1 January	**11,500**	10,000
Additions	**642,806**	1,500
Disposals	**(11,500)**	–
At 31 December	**642,806**	11,500
Less: Non-current portion		
Secured loan packages	**(380,806)**	–
Unlisted equity investment, at cost	–	(10,000)
	(380,806)	(10,000)
Current portion	**262,000**	1,500

Breakdown of available-for-sale investments:

At 31 December 2016:

		Percentage of shares (%)	**Cost at 31 December 2016**	**Fair value at 31 December 2016**	**% to total assets at 31 December 2016**
Investment					
Secured loan package from Industrial and Commercial Bank of China ("ICBC")	(a)	**Not applicable**	**175,806**	**175,806**	**0.7%**
Secured loan package from China Min sheng Bank ("CMSB")	(a)	**Not applicable**	**205,000**	**205,000**	**0.9%**
Structured deposits with banks	(c)	**Not applicable**	**262,000**	**262,000**	**1.2%**
Total			**642,806**	**642,806**	**2.8%**

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16. AVAILABLE-FOR-SALE INVESTMENTS (continued)

At 31 December 2015:

		Percentage of shares (%)	Cost at 31 December 2015	Fair value at 31 December 2015	% to total assets at 31 December 2015
Investment					
Investment in Shanghai Zhufu Investment Co., Ltd.	(b)	5%	10,000	10,000	0%
Structured deposits with banks	(c)	Not applicable	1,500	1,500	0%
Total			11,500	11,500	0%

Movement of available-for-sale investments for the year ended 31 December 2016:

	Secured loan package from ICBC	**Secured loan package from CMSB**	**Structured deposits with banks**	**Investment in Shanghai Zhufu Investment Co., Ltd.**	**Total**
Beginning of the year	–	–	**1,500**	**10,000**	**11,500**
Current year addition	**175,806**	**205,000**	**262,000**	–	**642,806**
Fair value change during the year	–	–	–	–	–
Disposal	–	–	**(1,500)**	**(10,000)**	**(11,500)**
Disposal gain	–	–	–	–	–
End of the year	**175,806**	**205,000**	**262,000**	–	**642,806**
Dividend received	–	–	–	–	–

(a) As at 31 December 2016, the Group held approximately RMB176 million and RMB205 million secured loan packages originated from Industrial and Commercial Bank of China and China Minsheng Bank respectively. The Group did not make any provision against the balance as it is believed that the properties pledged against such receivables will be sufficient to cover the outstanding loan balance.

(b) The balance was related to an investment in an unlisted company in Mainland China, which was disposed of at its cost in 2016.

(c) The balance represented structured deposits with banks which were purchased by the Group to earn higher returns from liquid funds. According to the terms, neither repayment of principal nor investment returns are guaranteed for such investment products.

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17. PROPERTY, PLANT AND EQUIPMENT

	2016					
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost						
Beginning of year (Restated)	418,529	3,286	306,969	46,036	74	774,894
Acquisition of subsidiaries (Note 40)	637,884	–	101,061	1,349	–	740,294
Additions	–	–	1,527	5	–	1,532
Disposal of subsidiaries (Notes 42 and 43)	(397,887)	(519)	(299,902)	(8,588)	–	(706,896)
Disposals	–	–	–	(8,198)	(74)	(8,272)
Reclassified to held for sale (Note 41)	–	–	(245)	(1,837)	–	(2,082)
End of year	658,526	2,767	109,410	28,767	–	799,470
Accumulated depreciation and impairment						
Beginning of year (Restated)	90,287	1,522	251,141	39,158	–	382,108
Depreciation charge (Note 7) – continued operations	997	842	792	1,056	–	3,687
Depreciation charge – discontinued operation	2,544	–	5,827	18	–	8,389
Disposal of subsidiaries (Notes 42 and 43)	(87,997)	(418)	(252,263)	(7,038)	–	(347,716)
Disposals	–	(32)	(48)	(7,690)	–	(7,770)
Reclassified to held for sale (Note 41)	–	–	(178)	(1,650)	–	(1,828)
End of year	5,831	1,914	5,271	23,854	–	36,870
Net carrying amount						
Balance, end of year	652,695	853	104,139	4,913	–	762,600
Balance, beginning of year (Restated)	328,242	1,764	55,828	6,878	74	392,786

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

	2015 (Restated)					
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost						
Beginning of year	410,395	3,702	309,615	52,006	898,953	1,674,671
Additions	8,134	–	2,111	3,755	10,317	24,317
Disposals	–	(416)	(3,748)	(3,783)	–	(7,947)
Reclassified to held for sale	–	–	(900)	(5,640)	(909,196)	(915,736)
Disposal of subsidiaries	–	–	(109)	(302)	–	(411)
End of year	418,529	3,286	306,969	46,036	74	774,894
Accumulated depreciation and impairment						
Beginning of year	79,036	1,098	230,080	45,081	–	355,295
Depreciation charge (Note 7) – continued operations	925	721	1,188	1,612	–	4,446
Depreciation charge – discontinued operation	10,326	–	23,650	71	–	34,047
Disposals	–	(297)	(3,012)	(3,313)	–	(6,622)
Reclassified to held for sale	–	–	(662)	(4,000)	–	(4,662)
Disposal of subsidiaries	–	–	(103)	(293)	–	(396)
End of year	90,287	1,522	251,141	39,158	–	382,108
Net carrying amount						
Balance, end of year	328,242	1,764	55,828	6,878	74	392,786
Balance, beginning of year	331,359	2,604	79,535	6,925	898,953	1,319,376

Depreciation expenses from continuing operations of approximately RMB305 thousand (2015: approximately RMB359 thousand), of approximately RMB30 thousand (2015: approximately RMB65 thousand) and of approximately RMB3,352 thousand (2015: approximately RMB4,022 thousand) had been respectively expensed in cost of goods sold, selling and marketing expenses and administrative expenses.

As at 31 December 2016, the property, plant and equipment with a net carrying amount of RMB133,657 thousand (2015: RMB363,622 thousand) were pledged as collateral for the Group's bank and other borrowings (Note 32). Property, plant and equipment with a net carrying amount of RMB7,993 thousand had been pledged as collateral for banking facilities to a subsidiary of China New Town Development Company Limited ("CNTD") as at 31 December 2015 which had been released as of 31 December 2016.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

18. INVESTMENT PROPERTIES

Completed investment properties

	2016	2015 (Restated)
At beginning of year	**4,796,996**	5,292,975
Direct acquisition	**1,052,407**	–
Acquisition of subsidiaries (Note 40)	**712,301**	–
Disposal of subsidiaries (Notes 41, 42 and 43)	**(1,275,000)**	–
Transfer to prepaid land lease payments (Note 19)	–	(3,544)
Transfer to properties held or under development for sale	–	(58,867)
Net fair value loss (Note 6)	**(17,361)**	(57,408)
Additions/(reductions) in cost	**1,552**	(14,666)
Reclassified to held for sale (Note 41)	–	(361,494)
At end of year	**5,270,895**	4,796,996

The investment properties as at 31 December 2016 mainly represent the following properties:

- Shanghai Oasis Central Ring Centre – Portions of eight multi-storey shopping malls and car-park places at Putuo District, Shanghai, with a total fair value of approximately RMB1,035 million, for which the operating leases entered into have terms ranging from 2 to 15 years;

- Shenyang Richgate Shopping Mall – A seven-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately RMB2,442 million, for which the operating leases entered into have terms ranging from 1 to 15 years; and

- Shanghai Lake Malaren Transportation Hub – A five-storey shopping mall at Baoshan District, Shanghai, with a total fair value of approximately RMB205 million, for which the operating leases entered into have terms ranging from 1 to 20 years; and

- Shanghai Lake Malaren Commercial Street – A commercial street at Baoshan District, Shanghai, with a total fair value of approximately RMB508 million, for which the operating leases entered into have terms ranging from 2 to 13 years; and

- 41 Tower Hill – A ten-storey office building at 41 Tower Hill, London, UK, with a total fair value of approximately Great Britain Pound ("GBP") 91 million (equivalent to approximately RMB759 million), for which the operating leases entered into have terms ranging from 3.5 to 5 years; and

- 12 Moorgate – An eight-storey office building at 12 Moorgate, London, UK, with a total fair value of approximately GBP 35 million (equivalent to approximately RMB301 million), for which the property was let in its entirety with a remaining lease term of 7 years; and

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	–	–	**5,040,702**	**5,040,702**
Car parks	–	–	**230,193**	**230,193**
	–	–	**5,270,895**	**5,270,895**

(Restated)	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	4,563,572	4,563,572
Car parks	–	–	233,424	233,424
	–	–	4,796,996	4,796,996

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.

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

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Commercial properties	Car parks	Total
(Restated)			
Carrying amount at 1 January 2015	5,062,993	229,982	5,292,975
Transfer from properties held or under development for sale	(58,867)	–	(58,867)
Transfer from prepaid land lease payments (Note 19)	(3,544)	–	(3,544)
Net fair value (loss)/gain (Note 6)	(60,850)	3,442	(57,408)
Reductions in cost	(14,666)	–	(14,666)
Reclassified to held for sale (Note 41)	(361,494)	–	(361,494)
Carrying amount at 31 December 2015 and 1 January 2016	**4,563,572**	**233,424**	**4,796,996**
Direct acquisition	**1,052,407**	**–**	**1,052,407**
Acquisition of subsidiaries (Note 40)	**712,301**	**–**	**712,301**
Disposal of a subsidiary (Note 43)	**(1,275,000)**	**–**	**(1,275,000)**
Net fair value loss (Note 6)	**(14,130)**	**(3,231)**	**(17,361)**
Additions in cost	**1,552**	**–**	**1,552**
Carrying amount at 31 December 2016	**5,040,702**	**230,193**	**5,270,895**

As at 31 December 2016, the Group's investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent professionally qualified property valuer and consultant. The Group's finance team will review the valuation 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 independent valuers.

The valuations were performed based on the income approach (term and reversion method or direct capitalisation method) or direct comparison approach for those investment properties. The following significant unobservable inputs for income approach have been used:

Yield	**2016**	2015
Shanghai Oasis Central Ring Centre	**6%-6.5%**	6%-6.5%
Shenyang Richgate Shopping Mall	**4.5%-6%**	5%-6%
Shanghai Shuocheng Supermarket	**–**	5%-5.5%
Shanghai Lake Malaren Transportation Hub	**4%-6%**	–
Shanghai Lake Malaren Commercial Street	**5.5%-6%**	–
41 Tower Hill, London	**5.8%-6.3%**	–
12 Moorgate, London	**4%-4.5%**	–

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2016	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties – Mainland China	4,210,375 (2015: 4,796,996)	Income approach	Term yield	Term yield of 4%-6% (2015: 5%-6%), taking into account of yield generated from comparable properties and adjustment to effect the certainty of term income secured and to be received	The higher the term yield, the lower the fair value
			Reversionary yield	Reversionary yield of 4.5%-6.5% (2015: 5.5%-6.5%), taking into account annual unit market rental income and unit market value of the comparable properties	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	RMB45-RMB282 (2015: RMB45-RMB282) per square metre per month	The higher the market unit rent, the higher the fair value
Commercial properties – UK	1,060,520 (2015:N/A)	Income approach	Term yield	Term yield of 4%-5.8% (2015: N/A), taking into account of yield generated from comparable properties and adjustment to effect the certainty of term income secured and to be received	The higher the term yield, the lower the fair value
			Reversionary yield	Reversionary yield of 4.5%-6.3% (2015: N/A), taking into account annual unit market rental income and unit market value of the comparable properties	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	RMB403-RMB508 (2015: N/A) per square metre per month	The higher the market unit rent, the higher the fair value

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates. The direct capitalisation method measures the fair value of the property by assuming a stabilised economic income capitalised by a market yield rate. The market yield was developed based on the research on the sales and rental evidences of the similar properties in the surrounding market and assuming the existing tenancy will be extended. A significant increase/(decrease) in the estimated market yield would result in a significant decrease/(increase) in the fair value of the investment properties.

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Were the rental rate and yield rate required assumed to increase or decrease by 10% from management's estimate, the carrying amount of investment properties as at 31 December 2016 and 2015 would have changed as follows:

	2016	2015
Investment properties increase/(decrease)		
– 10 percent rental rate higher	**5,783,321**	5,133,662
– 10 percent rental rate lower	**4,786,182**	4,461,347
Investment properties increase/(decrease)		
– 10 percent yield rate used higher	**4,876,988**	4,573,966
– 10 percent yield rate used lower	**5,753,418**	5,044,971

As at 31 December 2016, the Group's investment properties of approximately RMB3,984 million (2015: approximately RMB4,775 million) were pledged as collateral for the Group's bank and other borrowings (Note 32).

In May 2014, the property held by Shenyang Huarui Shiji Asset Management Co., Ltd., a subsidiary of the Group ("the Subsidiary"), which had already been pledged for the subsidiary's own borrowings, was also second pledged to a bank ("the Bank") for loan facilities to six companies amounting to approximately RMB175 million in form. In substance, the Subsidiary and the six companies participated in the arrangement so that the Bank could derecognize non-performing loans on its books using the loan proceeds i.e. the apparent disposal of non-performing loans in order to manage its non-performing loans ratio, which in reality had not taken place at that time. Neither the Subsidiary nor the six companies held on to the loan proceeds nor were involved in the management of the non-performing loans and the Bank had provided an officially stamped letter of undertaking which essentially absolve the companies participating in the arrangement from any economic losses, arising from litigation or the performance of the non-performing loans. The Group took steps to release the second mortgage on 30 March 2016. The Directors are of the view that this arrangement no longer has any financial impact on the Group.

The following amounts relating to the investment properties have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	2016	2015 (Restated)
Rental income (Note 5)	**77,220**	95,694
Direct operating expenses arising from investment properties that generate rental income	**(17,400)**	(18,470)
Loss from decrease in fair value (Note 6)	**(17,361)**	(57,408)

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19. PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2016	2015 (Restated)
At beginning of year	**3,978,402**	9,724,153
Additions	**376,951**	38,290
Acquisition of subsidiaries (Note 40)	**433,344**	–
Transfer from investment properties (Note 18)	–	3,544
Amortisation capitalised as properties under development for sale	**(97,869)**	(343,709)
Disposals with the sale of completed properties	**(947,113)**	(289,178)
Disposal of subsidiaries (Notes 41, 42 and 43)	**(39,749)**	(998,888)
Amortisation provided during the year – continuing operations	**(37)**	(2,029)
Amortisation provided during the year – discontinued operation	**(380)**	(1,494)
Reversal of impairment/(write-down) of prepaid land lease payments (Note 7)	**67,454**	(572,726)
Reclassified to held for sale (Note 41)	**(930,096)**	(3,579,561)
At end of year	**2,840,907**	3,978,402

	2016	2015 (Restated)
Analysed as:		
Non-current: In relation to properties classified under property, plant and equipment	**208,759**	42,596
Current: In relation to properties held or under development for sale	**2,632,148**	3,935,806
	2,840,907	3,978,402

The movements in (reversal of impairment)/write-down of prepaid land lease payments are as follows:

	2016	2015 (Restated)
At 1 January	**602,634**	29,908
(Reversal of impairment)/write-down of prepaid land lease payments recognised	**(67,454)**	572,726
At 31 December	**535,180**	602,634

As at 31 December 2016, the Group's leasehold land of approximately RMB48,548 million (2015: approximately RMB2,074 million) was pledged as collateral for the Group's bank and other borrowings (Note 32). Leasehold land with carrying amount of approximately RMB3 million had been pledged as collateral for banking facilities of a subsidiary of CNTD as at 31 December 2015 which had been released as at December 2016.

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20. GOODWILL

	2016	2015 (Restated)
Cost		
At beginning of year	**566,872**	571,787
Reclassified to held for sale (Note 41)	**(75,866)**	–
Disposal of subsidiaries	–	(4,915)
At end of year	**491,006**	566,872
Accumulated impairment		
At beginning of year	**376,381**	122,644
Impairment losses recognised (Note 6)	**98,354**	258,653
Disposal of subsidiaries	–	(4,916)
At end of year	**474,735**	376,381
Net carrying amount		
Balance, end of year	**16,271**	190,491
Balance, beginning of year	**190,491**	449,143

Impairment testing of goodwill

As at 31 December 2016, Goodwill acquired through certain business combinations has been mainly allocated to the following cash-generating units for impairment testing:

– Richgate I (Shanghai Jinxin Real Estate Co., Ltd.)

– Huating

These cash-generating units are parcels of land in the city of Shanghai and properties currently under development on these parcels will be available for sale in the forthcoming one to four years.

As at 31 December 2016, the recoverable amounts of Richgate I and Huating property development project cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering five-year and one-and-a-half-year periods respectively, approved by management. The post-tax discount rates applied to the cash flow projections are 10% (2015: 10%) and 10% (2015: 10%), respectively. The implied pre-tax discount rates for the cash flow projections are 13.1% (2015: 12.2%) and 61% (2015: 65.9%), respectively. A professional valuer, Jones Lang LaSalle, was engaged to assist the Group in determining the estimated values in use. The recoverable amounts applied to the cash flow projections are approximately RMB 4,568 million and RMB 224 million, respectively. The carrying amounts applied to the cash flow projections are approximately RMB 1,771 million and RMB 367 million, respectively.

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20. GOODWILL (continued)

Movement of net carry amount of goodwill is as follows:

	Opening	Transferred to disposal group classified as held for sale	Impairment	Closing
Shenyang Albany Oasis Garden (a)	–	–	–	–
Richgate I	75,866	(75,866)	–	–
Huating (b)	98,354	–	(98,354)	–
Others	16,271	–	–	16,271
	190,491	(75,866)	(98,354)	16,271

The cost of goodwill allocated to each of the major cash-generating units before impairment is as follows:

	2016	2015 (Restated)
Shenyang Albany Oasis Garden (a)	**316,653**	316,653
Richgate I	**–**	75,866
Huating	**144,354**	144,354
Others	**29,999**	29,999
	491,006	566,872

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill with the assistance from Jones Lang LaSalle:

– Selling prices – The market prices of comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before income tax and reflect specific risks relating to the relevant cash-generating units

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts, and are consistent with external information sources.

(a) As at 31 December 2015, the Group assessed the impairment on goodwill and determined that the carrying amount of goodwill arising from the acquisition of Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") was higher than its recoverable amount. Considering the current market condition in Shenyang and the actual selling price of Shenyang Albany Oasis Garden (Phases II and III), the Group estimated that the future cash flows that could be generated from the sale of this property (including the remaining developed Phase II and Phase III under development) would probably be reduced, resulting in the significant decrease of value-in-use. As a result, the Group provided an impairment loss of approximately RMB259 million in the consolidated financial statements for the year ended 31 December 2015. In addition to the goodwill impairment recognised, impairment provision was also made to state the properties held or under development for sale and prepaid land lease payments of Liaoning Gao Xiao at net realisable value (Note 23).

(b) As at 31 December 2016, with the sale of project Huating, the Group assessed the impairment on goodwill and determined that the carrying amount of goodwill arising from the acquisition of Shanghai Bairun Real Estate Co., Ltd. ("Bairun") was higher than its recoverable amount. Accordingly, the Group provided an impairment loss of approximately RMB98 million in the consolidated financial statements for the year ended 31 December 2016.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

21. INVESTMENTS IN ASSOCIATES

	2016	2015 (Restated)
Share of net assets	**962,655**	46,137
Less: Provision for impairment	–	–
	962,655	46,137

As at the 31 December 2016, the Company had indirect interests in the following associates:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC/Mainland China 6 May 1997	–	26%	RMB50,000,000	RMB50,000,000	Research and development of housing technology
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	PRC/Mainland China 24 October 2000	–	19.80%*	RMB100,000,000	RMB100,000,000	Development and sale of netware and construction of broadband fibre projects
Mayson Resources Limited ("Mayson") (a)	British Virgin Islands ("BVI") 29 January 2003	–	40%	HKD8	HKD8	Property sales
Shanghai Orda Opto-electronics Science & Tech Co.,Ltd.("Orda")	PRC/Mainland China 20 March 2000	–	24%	RMB11,000,000	RMB11,000,000	Research and development of optoelectronic products
Shanghai Shang Xin Richgate Investment Management Co., Ltd. ("Richgate")	PRC/Mainland China 14 July 2011	–	25%	RMB9,100,000	RMB9,100,000	Investment management

* The Group considered that it is able to exercise significant influence over Broadband through its non-wholly-owned subsidiary which holds a 20% equity interest in Broadband.

(a) In January 2016, the Group disposed 60% of its equity interest and lost control in the originally wholly-owned subsidiary, Mayson, which become an associate of the Group after the transaction and the retained 40% equity interest was re-measured at approximately RMB449 million (Note 43(b)).

The financial year end dates of the above associates are coterminous with that of the Group.

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21. INVESTMENTS IN ASSOCIATES (continued)

The Group's shareholdings in the associates comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in the consolidated financial statements.

The commitments relating to the Group's interests in associates are presented in Note 39(a). There are no contingent liabilities relating to the Group's interests in the associates.

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) Broadband

	2016	2015 (Restated)
Current assets	**145,912**	138,138
Non-current assets	**45,048**	43,898
Current liabilities	**(45,642)**	(38,250)
Net assets	**145,318**	143,786
Revenue	**110,132**	97,393
Profit after tax	**4,688**	1,143
Total comprehensive income for the year	**4,688**	1,143
Dividend received	**631**	–

(2) New Technology

	2016	2015 (Restated)
Current assets	**25,751**	38,084
Non-current assets	**35,087**	25,376
Current liabilities	**(1,112)**	(4,217)
Net assets	**59,726**	59,243
Revenue	**1,422**	282
Profit after tax	**483**	2,197
Total comprehensive income for the year	**483**	2,197
Dividend received	**–**	–

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21. INVESTMENTS IN ASSOCIATES (continued)

Extracts of financial information of principal associates (continued)

(3) Mayson

	2016
Current assets	4,875,630
Non-current assets	304,778
Current liabilities	(2,814,559)
Non-current liabilities	(82,124)
Net assets	2,283,725
Revenue	8,554,646
Profit after tax	1,161,323
Total comprehensive income for the year	1,161,323
Dividend received	–

(4) Orda

	2016
Current assets	92
Non-current assets	1,002
Current liabilities	(3,148)
Net assets	(2,054)
Revenue	–
Profit after tax	(132)
Total comprehensive income for the year	(132)
Dividend received	–

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21. INVESTMENTS IN ASSOCIATES (continued)

Extracts of financial information of principal associates (continued)

(5) Richgate

	2016
Current assets	**9,728**
Non-current assets	–
Current liabilities	–
Net assets	**9,728**
Revenue	–
Profit after tax	**(50)**
Total comprehensive income for the year	**(50)**
Dividend received	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates.

	Broadband		New Technology		Mayson	Orda	Richgate		Total	
	2016	2015	**2016**	2015	**2016**	**2016**	**2016**	2015	**2016**	2015
Opening net assets	**143,786**	142,643	**59,243**	57,046	**1,122,402**	**(1,922)**	**9,778**	9,778	**1,333,287**	209,467
Profit/(loss) for the year	**4,688**	1,143	**483**	2,197	**1,161,323**	**(132)**	**(50)**	–	**1,166,312**	3,340
Dividends distribution	**(3,156)**	–	–	–	–	–	–	–	**(3,156)**	–
Closing net assets	**145,318**	143,786	**59,726**	59,243	**2,283,725**	**(2,054)**	**9,728**	9,778	**2,496,443**	212,807
Interest in associates	**20%**	20%	**26%**	26%	**40%**	**24%**	**25%**	25%		
Goodwill and adjustments	**(298)**	(298)	–	–	–	**3,101**	**(170)**	(170)		
Carrying value	**28,766**	28,459	**15,529**	15,403	**913,490**	**2,608**	**2,262**	2,275	**962,655**	46,137

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22. INVESTMENTS IN JOINT VENTURES

	2016	2015
Share of net assets	**1,281,119**	–
Less: Provision for impairment	**–**	–
	1,281,119	–

As at the 31 December 2016, the Company had indirect interests in the following joint ventures:

Name	**Place and date of incorporation or establishment and business**	**Proportion of ownership interest** Held by the Company	Indirectly held	**Issued and paid-up capital**	**Authorised share capital**	**Principal activities**
Jiangsu Da Run Sensor Technology Co., Ltd. ("Da Run") (a)	PRC/Mainland China 20 May 2010	–	12%	RMB53,000,000	RMB53,000,000	Research and development of sensor
Yunnan Ming Zhen Hospital Management Co., Ltd. ("Ming Zhen") (b)	PRC/Mainland China 22 October 2014	–	45%	RMB150,000,000	RMB150,000,000	Hospital management
SRegal Sinclair LLP("Sinclair") (c)	UK/London 30 September 2016	–	92.91%	GBP1,821,001	GBP14,400,000	Property development
Ningbo Meishan Free Trade Zone Zhi Miao Investment Center LLP ("Ningbo Meishan') (d)	PRC/Mainland China 29 December 2016	–	19.49%	RMB5,116,000,000	RMB5,116,000,000	Equity investment
Certain Business of Golden Luodian ("Relevant Business of Golden Luodian") (e)	PRC/Mainland China 2016	–	72.63%	RMB200,000,000	RMB200,000,000	Property development

(a) In May 2016, the Group acquired 12% equity interest of Da Run at a consideration of RMB13,600,000.

(b) In March 2016, the Group acquired 45% equity interest of Ming Zhen at a consideration of RMB54,000,000.

(c) In September 2016, the Group entered into an agreement to set up Sinclair at a consideration of approximately GBP 13 million (approximately RMB114 million), of which approximately GBP1.8 million (approximately RMB15 million) had been contributed as at 31 December 2016 and the remaining commitment was disclosed in Note 39.

(d) In December 2016, the Group entered into a joint venture agreement in relation to the formation of the joint venture of Ningbo Meishan with the total capital commitment of approximately RMB5,116 million, of which an aggregate of approximately RMB 997 million, being approximately 19% of the total capital commitment, was contributed by the Group.

(e) In 2016, the Group acquired 72.63% portion of certain rights and obligations relating to Relevant Business of Golden Luodian at a consideration of approximately RMB203 million (Note 40).

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

22. INVESTMENTS IN JOINT VENTURES (continued)

The Group accounts for its investments in these companies as joint ventures although the Group holds more or less than 50% of equity interest. According to the investment agreements and articles of associations, the Group and the other investors will jointly control the key relevant activities of these companies.

The financial year end dates of the above joint ventures are coterminous with that of the Group.

The Group's shareholdings in the joint ventures comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above joint ventures have been accounted for using the equity method in the consolidated financial statements.

The commitments relating to the Group's interests in joint ventures are presented in Note 39(a). There are no contingent liabilities relating to the Group's interests in the joint ventures.

Extracts of financial information of joint ventures

The following tables illustrate the financial information of the Group's joint ventures as extracted from their financial statements:

(1) Da Run

	2016
Current assets (including cash and cash equivalents of RMB519 thousand)	**2,185**
Non-current assets	**75,201**
Current liabilities	**(10,222)**
Non-current liabilities	**(5,300)**
Net assets	**61,864**
Revenue	**756**
Profit after tax	**(1,971)**
Total comprehensive income for the year	**(1,971)**
Dividend received	**–**

(2) Ming Zhen

	2016
Current assets (including cash and cash equivalents of RMB939 thousand)	**60,190**
Non-current assets	**58,083**
Current liabilities	**(1,001)**
Net assets	**117,272**
Revenue	**–**
Profit after tax	**(2,728)**
Total comprehensive income for the year	**(2,728)**
Dividend received	**–**

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

22. INVESTMENTS IN JOINT VENTURES (continued)

Extracts of financial information of joint ventures (continued)

(3) Sinclair

	2016
Current assets (including no cash and cash equivalents)	65,703
Non-current assets	–
Current liabilities	(49,878)
Net assets	15,825
Revenue	–
Profit after tax	–
Total comprehensive income for the year	–
Dividend received	–

(4) Ningbo Meishan

	2016
Current assets (including cash and cash equivalents of RMB130,300 thousand)	260,000
Non-current assets	4,856,000
Current liabilities	–
Non-current liabilities	–
Net assets	5,116,000
Revenue	–
Profit after tax	–
Total comprehensive income for the year	–
Dividend received	–

(5) Relevant Business of Golden Luodian

	2016
Current assets (including cash and cash equivalents of RMB3,986 thousand)	1,286,474
Non-current assets	999,793
Current liabilities	(1,879,611)
Non-current liabilities	(127,715)
Net assets	278,941
Revenue	–
Profit after tax	–
Total comprehensive income for the period after acquisition	–
Dividend received	–

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22. INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures.

	Da Run 2016	Ming Zhen 2016	Sinclair 2016	Ningbo Meishan 2016	Certain Assets 2016	Total 2016
Opening net assets	**63,835**	**120,000**	**15,825**	**5,116,000**	**278,941**	**5,573,388**
(Loss)/profit for the year/period after acquisition	**(1,971)**	**(2,728)**	**–**	**–**	**–**	**(4,699)**
Closing net assets	**61,864**	**117,272**	**15,825**	**5,116,000**	**278,941**	**5,568,689**
Interest in joint ventures	**12%**	**45%**	**92.91%**	**19.49%**	**72.63%**	
Goodwill and adjustments	**5,940**	**–**	**685**	**–**	**–**	
Carrying value	**13,364**	**52,772**	**15,388**	**997,000**	**202,595**	**1,281,119**

23. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

	2016	2015 (Restated)
At cost	**3,730,615**	5,072,173
Less: Provision for impairment loss	**(533,530)**	(721,814)
	3,197,085	4,350,359
– In Shanghai City, PRC	**707,534**	2,267,841
– In Shenyang City, PRC	**1,527,780**	1,249,875
– In Wuxi City, PRC	**76,508**	127,734
– In Jiaxing City, PRC	**481,231**	653,258
– In Chengdu City, PRC	**186,613**	–
– In Dalian City, PRC	**88,078**	51,651
–In Changsha City, PRC	**129,341**	–
	3,197,085	4,350,359

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE (continued)

	2016	2015 (Restated)
Properties held or under development expected to be completed, at net realisable value		
– Within one year	**1,718,574**	2,240,449
– After one year	**1,478,511**	2,109,910
	3,197,085	4,350,359

The movements in (reversal of impairment)/write-down of properties held or under development for sale are as follows:

	2016	2015 (Restated)
At 1 January	**721,814**	182,450
(Reversal of impairment)/write-down of properties held or under development (Note 7)	**(188,284)**	539,364
At 31 December	**533,530**	721,814

As at December 2015, the oversupply of properties in the third and fourth-tier cities in Mainland China resulted in a decline in both property sales and its gross margin. As a result, greater amount of impairment losses for certain properties under development had to be recognised in 2015.

For year 2016, the reversal was mainly for the properties owned by Liaoning Gao Xiao with delivery of those properties that were written down in prior years and the recovery of the property market in certain cities.

As at 31 December 2016 and 2015, approximately RMB75 million (2015: approximately RMB1,831 million) of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank and other borrowings (Note 32).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

24. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016	2015 (Restated)
Non-current		
Prepayment (a)	**5,000**	5,000
Less: Provision for impairment (a)	**(5,000)**	(5,000)
	–	–
Current		
Prepaid business tax	**35,260**	98,757
Prepaid VAT	**3,309**	–
Prepayments (b)	**333,578**	534,753
Prepaid relocation compensation to a local government authority (c)	–	1,560,000
Others	**7,616**	10,391
	379,763	2,203,901
Less: Provision for impairment	**(6,250)**	(6,250)
	373,513	2,197,651

(a) On 12 December 2013, the Company signed a letter of intent with a third party (the "Vendor") to acquire a 100% equity interest in a real estate company in Shanghai at a total consideration of RMB800 million. In connection with this transaction, the Group paid RMB5 million to the Vendor as earnest money. Due to the termination of the project as well as the low probability of collection of the aforementioned prepayment, full provision has been made for the earnest money as at 31 December 2016 and 2015.

(b) The prepayments as at 31 December 2016 mainly included approximately RMB30 million (2015: approximately RMB22 million) of prepayments for construction cost of properties under development, approximately RMB248 million (2015: approximately RMB478 million) of prepayments for leasehold land in the PRC and approximately RMB56 million (2015: approximately RMB34 million) of earnest money for investments in projects located in the United States.

(c) The balance as at 31 December 2015 represented a prepayment of RMB1,560 million to a local government authority as a prepaid relocation compensation of Richgate I project in Shanghai which has been reclassified to asset held-for-sale as at 31 December 2016 (Note 41).

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

25. OTHER RECEIVABLES

	2016	2015 (Restated)
Receivables in connection with acquisition of Konmen Investment Limited (a)	**66,486**	135,106
Receivables from subsidiaries disposed of (Note 43)	**163,812**	12,813
Receivables from related parties (Note 45)	**1,104,556**	–
Advance to a non-controlling shareholder of a subsidiary	**204,330**	–
Receivable from disposal of a subsidiary (b)	**12,862**	41,950
Interest receivable	–	13,459
Others	**177,195**	106,849
	1,729,241	310,177
Less: Provision for impairment (Note 7)	**(51,100)**	(7,751)
Other receivables, net	**1,678,141**	302,426

(a) On 17 August 2007, SRE Investment Holding Limited ("SREI", or the "Vendor") and an independent third party (the "Original Shareholder") entered into an acquisition agreement (the "Vendor Acquisition Agreement"), pursuant to which the Vendor agreed to purchase, from the Original Shareholder, the entire issued share capital (the "Sale Share") of Konmen, which held a 70% interest in Liaoning Gao Xiao, at a consideration of HK$1,600 million.

On the same date, the Vendor and a subsidiary of the Company (the "Purchaser") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser agreed to purchase the Sale Share from the Vendor at a consideration of HK$1,600 million. Pursuant to the Acquisition Agreement, the consideration was satisfied by the Company issuing shares to the Vendor.

On 15 November 2007, a supplemental agreement was entered into between the Vendor, the Company, the Purchaser, the Original Shareholder and Konmen.

According to the above agreements, the Original Shareholder agreed to pay for the purchase of a land use right that will be held by Liaoning Gao Xiao, to bear certain liabilities ("the Liabilities") of Liaoning Gao Xiao and to reimburse Liaoning Gao Xiao the relevant amounts incurred in respect of the Liabilities, to the extent that they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. If the amounts reimbursed by the Original Shareholder under such arrangements are made to the Vendor, the Vendor agreed to transfer such amounts to the Group.

Pursuant to the above agreements, the Vendor has also undertaken to pay Liaoning Gao Xiao the above mentioned amounts, to the extent they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. In the event that Liaoning Gao Xiao failed to obtain the relevant land use right by 30 June 2009, the Vendor would undertake to pay the Company HK$1,600 million in cash on or before 30 December 2009. On 4 December 2009, the Special General Meeting of the Company passed a resolution that the Company shall not exercise its right under the above agreements and shall delay enforcement against the Vendor to 31 December 2012. In early 2013, the Group received from the Vendor the full settlement of the Land Purchase Cost and Liaoning Gao Xiao has consequently obtained the land use rights certificates for the entire site area of the Land.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

25. OTHER RECEIVABLES (continued)

(a) (continued)

As of 31 December 2016, the amount which would have to be reimbursed from the Vendor according to the agreements above, as such amount has not been paid for by the Original Shareholder or the Original Minority Shareholder, had been agreed between the Purchaser and the Vendor, as having a balance of approximately RMB66 million (2015: approximately RMB135 million).

(b) As of 31 December 2016, this was the remaining consideration which has not been received for the disposal of a subsidiary, Skyway (Note 43(b)). As of 31 December 2015, this was consideration of approximately RMB42 million for the disposal of a subsidiary, Shanghai Lushan Real Estate Ltd. ("Lushan") which was received in 2016 (Note 43(f)).

All other receivables are non-interest-bearing and are normally settled within one year.

26. TRADE RECEIVABLES AND NOTES RECEIVABLE

	2016	2015 (Restated)
Trade receivables	**51,668**	66,347
Less: Provision for impairment	**(26,805)**	(8,002)
	24,863	58,345
Notes receivable	**–**	540

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2016	2015 (Restated)
Within 6 months	**18,697**	40,673
6 months to 1 year	**4,388**	2,683
1 to 2 years	**20,113**	16,009
Over 2 years	**8,470**	6,982
	51,668	66,347

The Group's sales of development properties and hotel operations are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are generally within six months.

The Group's trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

26. TRADE RECEIVABLES AND NOTES RECEIVABLE (continued)

Notes receivable as at 31 December 2015 were all bank acceptance notes with a maturity period within six months.

An aged analysis of trade receivables neither past due nor impaired and those past due but not impaired is as follows:

	2016	2015 (Restated)
Neither past due nor impaired	**17,897**	43,258
Past due but not impaired:		
Within 30 days	**–**	452
30 to 60 days	**2,391**	–
60 to 90 days	**–**	–
Over 120 days	**4,575**	14,635
	6,966	15,087
	24,863	58,345

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

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

	2016	2015 (Restated)
At beginning of year	**8,002**	8,002
Additions (a) (Note 7)	**18,803**	–
At end of year	**26,805**	8,002

(a) The provision was made as at December 2016 as the directors of the Group consider the recoverability of the receivables is uncertain.

No provision for impairment of trade receivables was reversed during the year ended 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

27. CASH AND BANK BALANCES

	2016	2015 (Restated)
Cash on hand	353	1,319
Demand deposits	1,309,571	910,004
Time deposits with original maturity of no more than 3 months	200,000	519,436
Cash and cash equivalents	1,509,924	1,430,759
Pledged bank deposits (a)	–	1,119,550
Restricted bank deposits under a development project (b)	329	1,617
Restricted bank deposits relating to bank borrowings (c)	2,604	3,163
Restricted cash	2,933	1,124,330
Cash and bank balances	1,512,857	2,555,089

(a) As at 31 December 2016, no bank deposits (2015: approximately RMB1,120 million) were pledged as security for bank and other borrowings (Note 32).

(b) The balance represented deposits that are restricted from use, as a result of the guarantees provided by the Group in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties.

(c) An amount of approximately RMB3 million (2015: approximately RMB3 million) is restricted in connection with bank borrowings.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	2016	2015 (Restated)
HK$	170,894	1,251,859
United States dollars ("US$")	177,693	5,176
Singapore dollars	1	1
GBP	14,934	–
RMB	1,149,335	1,298,053
	1,512,857	2,555,089

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Time deposits earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents pledged and restricted deposits approximate to their fair values.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

28. LOANS AND RECEIVABLES

	2016	2015 (Restated)
Loans and receivables (a)	**191,200**	214,400
Less: Provision for impairment (b)	**(26,200)**	–
Loans and receivables, net	**165,000**	214,400

(a) The balance as at 31 December 2016 and 2015 mainly represented the interest-bearing loans granted to certain third parties.

(b) The provision was made as at December 2016 as the directors of the Group consider the recoverability of the receivables is uncertain.

29. OTHER NON-CURRENT ASSETS

	2016	2015 (Restated)
Receivables from St Leonard project (a)	**71,519**	–
Other receivables (b)	**12,000**	12,000
Others (b)	**9,750**	9,750
	93,269	21,750
Less: Provision for impairment (b)	**(21,750)**	(21,750)
	71,519	–

(a) In year 2016, the Group extended a loan to a real estate project company in Sydney, Australia. The principal of the loan is approximately AUD12 million (equivalent to approximately RMB60 million), term is 2.5 years, and annual interest rate is 25%. As at 31 December 2016, an interest receivable of approximately AUD1 million (equivalent to approximately RMB7 million) was recognized.

(b) The balance of other receivables and others comprised a cash consideration of approximately RMB12 million and a non-cash consideration of approximately RMB9.75 million for the disposal of a former subsidiary in 2014. Full provision was made for such balances as at 31 December 2015 and as at 31 December 2016 as the directors of the Group consider the recoverability of the receivables is uncertain.

Notes to the Consolidated Financial Statements

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30. ISSUED SHARE CAPITAL AND SHARE PREMIUM

Shares

	2016	2015 (Restated)
Issued and fully paid:		
20,564,713 thousand (2015: 20,564,713 thousand) ordinary shares	**6,747,788**	6,747,788

A summary of movements in the Company's share capital is as follows:

		Amount		
	Number of shares (thousands)	**Issued capital**	**Share premium**	**Total**
At 1 January 2015	**5,664,713**	**526,245**	**5,048,287**	**5,574,532**
Subscription of new shares (Note (a))	**14,900,000**	**1,175,416**	**–**	**1,175,416**
Share issue expenses (Note (a))	**–**	**–**	**(2,160)**	**(2,160)**
At 31 December 2015	**20,564,713**	**1,701,661**	**5,046,127**	**6,747,788**
At 31 December 2016	**20,564,713**	**1,701,661**	**5,046,127**	**6,747,788**

Note:

(a) A total of 14.9 billion subscription shares were allotted and issued on 4 December 2015 at the subscription price of HK$0.10 per subscription share, with cash proceeds, before expenses, of HK$1.49 billion.

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31. OTHER RESERVES

	Surplus reserve	**Exchange fluctuation reserve**	**Others**	**Total**
At 1 January 2016 (Restated)	**340,425**	**7,008**	**(199,357)**	**148,076**
Other comprehensive losses, net of tax				
Currency translation differences	**–**	**(3,629)**	**–**	**(3,629)**
Transactions with owners				
Appropriation from retained earnings	**25,030**	**–**	**–**	**25,030**
Share-based payments (Note 15)	**–**	**–**	**43,353**	**43,353**
	25,030	**–**	**43,353**	**68,383**
At 31 December 2016	**365,455**	**3,379**	**(156,004)**	**212,830**

	Surplus reserve	Exchange fluctuation reserve	Others	Total
At 1 January 2015 (Restated)	339,720	7,008	(199,324)	147,404
Transactions with owners				
Appropriation from retained earnings	705	–	–	705
Change due to other reserve of an associate	–	–	(33)	(33)
	705	–	(33)	672
At 31 December 2015 (Restated)	340,425	7,008	(199,357)	148,076

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

31. OTHER RESERVES (continued)

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016	2015 (Restated)
Short-term bank borrowings		
– Secured (a)	**–**	230,940
Other short-term borrowings		
– Secured (b)	**–**	1,910,000
– Unsecured, from parent company and a company ultimately controlled by the same company (e)	**3,000,000**	53,897
Current portion of long-term bank borrowings		
– Secured (c)	**397,209**	2,134,701
Current portion of other long-term borrowings		
– Secured (d)	**–**	2,726,575
– Unsecured, from parent company (f)	**520,275**	–
Borrowings, current portion	**3,917,484**	7,056,113
Long-term bank borrowings, non-current portion		
– Secured (c)	**1,531,205**	1,916,747
Other long-term borrowings, non-current portion		
– Unsecured, from parent company (f)	**1,120,275**	–
– Unsecured, from others	**196,504**	174,863
	1,316,779	174,863
Borrowings, non-current portion	**2,847,984**	2,091,610

	2016	2015 (Restated)
The long-term borrowings are repayable as follows:		
– Within 1 year	**917,484**	4,861,276
– 1 to 2 years	**175,421**	313,714
– 2 to 3 years	**1,323,649**	162,386
– 3 to 5 years	**276,504**	926,774
– After 5 years	**1,072,410**	688,736
	3,765,468	6,952,886
Less: Long-term borrowings, current portion	**(917,484)**	(4,861,276)
Long-term borrowings, non-current portion	**2,847,984**	2,091,610

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(a) Short-term bank borrowings – secured

As at 31 December 2015, the Group's short-term bank borrowings of approximately RMB 231 million was secured by the pledge of bank deposits, leasehold land and properties held or under development for sale. Among the above short-term bank borrowings, bank loans with a total principal of approximately RMB18 million were guaranteed by Mr. Shi Jian, the former Chairman of the Company, and Md. Si Xiao Dong, the spouse of Mr. Shi Jian, and were repaid in 2016.

(b) Other short-term borrowings – secured

As at 31 December 2015, other short-term borrowings of approximately RMB 1,110 million from parent company and approximately RMB800 million from a trust were secured by the pledges of the Group's leasehold land and equity interests of subsidiaries. The above short-term borrowings were repaid in 2016.

(c) Long-term bank borrowings – secured

As at 31 December 2016, long-term bank borrowings of approximately RMB1,928 million (2015: approximately RMB4,051 million) were secured by the pledges of the Group's leasehold land, together with property, plant and equipment, investment properties, properties held or under development for sale and trade receivables. Among the long-term bank borrowings as at 31 December 2015, a bank loan with a principal of approximately RMB134 million was secured by the pledge of a private property held by Mr. Shi Jian and Md. Si Xiao Dong and was repaid in 2016.

(d) Other long-term borrowings – secured

As at 31 December 2015, long-term borrowings of approximately RMB 2,727 million were from third party trust funds which are secured by the pledges of the Group's leasehold land, bank deposits, properties held or under development for sale, investment properties and equity interests in certain subsidiaries of the Group and entitlement to certain economic benefits (including right to dividends, if any, etc.) in such equity interests. Among the above other long-term borrowings, a term loan with a principal of approximately RMB 1,416 million was guaranteed by SREI and Mr. Shi Jian, and another term loan with a principal of approximately RMB 450 million was guaranteed by Mr. Shi Jian which were repaid in 2016.

(e) Other short-term borrowings – unsecured

As at 31 December 2016, the balance represented two loans from related parties: the loan of RMB2 billion was provided by the parent company in April 2016 with interest rate of 8% per annum. The tenure of the loan was twelve months. Entrusted loans of RMB1 billion were provided by China Minsheng Zhixuan Investment Co., Ltd., a company ultimately controlled by the same company in 2016, which comprised the following borrowings: the loan of RMB800 million with tenure of twelve months, was provided in March 2016. Interest rate of the loan is 8.5% per annum. The loan of RMB200 million with original tenure of twelve months, was provided in May 2016. Interest rate of the loan is 8.35% per annum.

(f) Other long-term borrowings – unsecured

The loan of USD150 million (approximately RMB1,041 million), was provided in September 2016 with interest rate of 4% per annum. 50% of loan falls due in 3 years and the remaining 50% falls due in one year. The loan of RMB600 million was provided in April 2016 with interest rate of 8% per annum. The tenure of the loan was six months. It was renewed on November 2016 for three years.

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Overall collateral arrangements for bank and other borrowings

As at 31 December 2016 and 2015, pledged assets as collateral for the Group's borrowings and banking facilities were as follows:

	2016	2015 (Restated)
Leasehold land (Note 19)	**48,548**	2,073,611
Investment properties (Note 18)	**3,984,350**	4,775,538
Properties held or under development for sale (Note 23)	**74,740**	1,831,826
Property, plant and equipment (Note 17)	**133,657**	363,622
Assets classified as held for sale (Note 41)	**930,096**	8,672,146
Bank deposits (Note 27)	**–**	1,119,550
Equity interests in certain subsidiaries	**–**	1,793,741
Trade receivables (Note 26)	**–**	6,109

In addition to above, borrowing as of 31 December 2015 was also pledged by operating revenue generated by Skyway.

The weighted average effective interest rates for these borrowings at the end of the reporting period were as follows:

	2016			2015		
	HK$	**US$**	**RMB**	HK$	US$	RMB
Short-term bank borrowings	**–**	**–**	**–**	–	–	6.28%
Other short-term borrowings	**–**	**–**	**8.16%**	–	–	11.77%
Long-term bank borrowings	**–**	**–**	**5.88%**	2.19%	1.58%	6.39%
Other long-term borrowings	**7.85%**	**4.00%**	**8.00%**	7.85%	–	12.35%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	2016	2015 (Restated)
HK$	**196,504**	828,415
US$	**1,040,550**	480,526
RMB	**5,528,414**	7,838,782
	6,765,468	9,147,723

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33. DEFERRED TAX

Deferred 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 tax assets and liabilities relate to income taxes, if any, levied by the same tax authority on the same taxable entity. As of 31 December 2016 and 2015, the majority of deferred tax assets and liabilities are to be recovered after more than 12 months.

The gross movements in the deferred tax account are as follows:

	2016	2015 (Restated)
At beginning of year	1,120,449	1,388,874
Business combination (Note 40)	131,292	–
Reclassified to current tax liability upon the final assessment of LAT	(4,700)	(28,771)
Reclassified to held for sale (Note 41)	(42,710)	(33,584)
Disposal of subsidiaries (Notes 41, 42 and 43)	(225,912)	(7,012)
Recognised in profit or loss (Note 12)	39,623	(199,058)
At end of year	1,018,042	1,120,449

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Tax losses carried forward	Difference in accounting and tax bases arising from share transfer consideration	Other temporary differences	Total
(Restated)				
At 1 January 2015	13,051	242,837	55,200	311,088
Recognised in profit or loss	48,679	–	(55,200)	(6,521)
Reclassified to held for sale (Note 41)	(44,611)	–	–	(44,611)
At 31 December 2015	17,119	242,837	–	259,956
Recognised in profit or loss	(17,119)	–	–	(17,119)
At 31 December 2016	–	242,837	–	242,837

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

33. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
(Restated)					
At 1 January 2015	768,638	463,439	310,058	157,828	1,699,963
Recognised in profit or loss	(21,323)	(175,445)	(25,143)	16,331	(205,580)
Reclassified to current tax liability upon the final assessment of LAT	–	–	–	(28,771)	(28,771)
Reclassified to held for sale (Note 41)	(5,254)	(8,562)	(19,938)	(44,441)	(78,195)
Disposal of subsidiaries (Note 43)	–	(7,012)	–	–	(7,012)
At 31 December 2015	742,061	272,420	264,977	100,947	1,380,405
Business combination (Note 40)	57,003	74,289	–	–	131,292
Recognised in profit or loss	(4,424)	19,601	(2,051)	9,378	22,504
Reclassified to current tax liability upon the final assessment of LAT	–	(4,700)	–	–	(4,700)
Reclassified to held for sale (Note 41)	–	(17,149)	(1,426)	(24,135)	(42,710)
Disposal of subsidiaries (Note 43)	(224,978)	–	(934)	–	(225,912)
At 31 December 2016	**569,662**	**344,461**	**260,566**	**86,190**	**1,260,879**

As at 31 December 2016, no deferred tax asset arised from unused tax losses (2015: amounted to approximately RMB17 million). With respect to the recognition of the deferred tax assets, after considering the evidence including the approval from local authorities permitting the sale of the properties, and estimated future taxable profit by reference to recent selling prices of certain properties and current market condition, the Group believes that there will be no sufficient taxable profit available against which the unused tax losses can be utilised in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	2016	2015 (Restated)
Tax losses	**2,604,929**	1,788,185

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

33. DEFERRED TAX (continued)

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses mentioned above as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the resolution of the board of directors of the Company, part of PRC subsidiaries' profits generated from 2011 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB693 million (2015: approximately RMB693 million).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. ADVANCES RECEIVED FROM THE PRE-SALE OF PROPERTIES UNDER DEVELOPMENT

	2016	2015 (Restated)
Advances received from the pre-sale of properties under development	**1,141,086**	1,978,347

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest-bearing.

35. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2016	2015 (Restated)
Within 1 year	**391,277**	203,831
1 to 2 years	**107,741**	148,562
Over 2 years	**293,283**	329,968
	792,301	682,361

Trade payables represent payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

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36. OTHER PAYABLES AND ACCRUALS

	2016	2015 (Restated)
Deposits received from and other payable to customers and construction companies	**51,932**	117,780
Tax and surtaxes payable	**59,815**	42,949
Dividends payable to non-controlling shareholders of subsidiaries	**32,281**	32,281
Relocation costs payable	**264,651**	264,651
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	**22,416**	54,803
Payroll and welfare payable	**26,330**	8,089
Accrued interest	**123,649**	54,785
Payables to former shareholders of a subsidiary for business combination	**20,000**	10,200
Payables to former shareholders of subsidiaries for acquisition of non-controlling interests	**17,000**	17,000
Payable to the former non-controlling shareholder of a disposed subsidiary	**20,000**	20,000
Advance received in relation to the disposal of a subsidiary (a)	**2,305,000**	103,960
Payables to related parties (Note 45)	**1,226,728**	–
Others	**239,974**	74,793
	4,409,776	801,291

(a) The balance as of 31 December 2016 represents advance received from a third party purchaser in relation to the disposal of the 49% equity interest of Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin Real Estate") (Note 41).

Other payables are non-interest-bearing and are normally settled within one year.

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37. CASH FROM OPERATIONS

Reconciliation of profit/(loss) before income tax from continuing operations and discontinued operation to cash from operations:

	2016	2015 (Restated)
Profit/(loss) before income tax		
Continuing operations	**151,391**	(2,071,878)
Discontinued operation	**532,342**	(96,233)
	683,733	(2,168,111)
Adjustments for:		
Depreciation of property, plant and equipment	**12,076**	38,493
Net (gain)/loss from disposal of property, plant and equipment	**(3,960)**	33,698
Share of results of associates	**(465,549)**	(798)
Share of results of joint ventures	**1,464**	–
Share-based payments	**43,353**	
Net fair value loss on investment properties	**17,361**	57,408
(Reversal of impairment)/write-down of properties held or under development for sale	**(188,284)**	539,364
(Reversal of impairment)/write-down of prepaid land lease payments	**(67,454)**	572,726
Provision for impairment of loans and receivables	**26,200**	–
Provision for impairment of other receivables	**43,349**	5,643
Provision for impairment of trade receivables	**18,803**	–
Provision for impairment of prepayments and other current assets	–	11,250
Provision for impairment of other non-current assets	–	21,750
Impairment of goodwill	**98,354**	258,653
Net gain from acquisition and disposal of subsidiaries		
– Continuing operations	**(11,903)**	(193,633)
– Discontinued operation	**(548,679)**	–
Other reserve of an associate recognised in profit or loss	–	(32)
Finance income	**(10,284)**	(30,742)
Finance costs	**442,648**	386,569
	91,228	(467,762)
Decrease in restricted bank deposits	**1,288**	22,914
Decrease in prepaid land lease payments	**830,647**	594,575
Decrease/(increase) in properties held or under development for sale	**1,068,783**	(856,170)
Decrease/(increase) in inventories	**6,221**	(580)
Decrease/(increase) in prepayments and other current assets	**21,157**	(186,894)
Increase in other receivables	**(540,611)**	(29,428)
Decrease/(increase) in trade receivables	**15,254**	(21,526)
Decrease in trade payables	**(112,986)**	(536,255)
Increase in other payables and accruals	**96,626**	1,383,794
(Decrease)/increase in advances received from the pre-sale of properties under development	**(947,107)**	3,835,208
Cash from operations	**530,500**	3,737,876

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38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for remaining terms mainly ranging from 1 to 7 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

	2016	2015 (Restated)
Within one year	**140,101**	72,410
In the second to fifth years, inclusive	**345,128**	214,970
After five years	**104,762**	61,848
	589,991	349,228

(b) As lessee

The Group leases certain of its office properties and housing properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from one to five years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015 (Restated)
Within one year	**2,327**	11,291
In the second to fifth years, inclusive	**–**	21,443
	2,327	32,734

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39. COMMITMENTS AND CONTINGENCIES

(a) The Group had the following capital commitments and commitments in respect of property development for sale at the end of the reporting period:

	2016	2015 (Restated)
Contracted, but not provided for		
Properties held or under development for sale	3,916,114	293,228
Property, plant and equipment and leasehold land	–	21,850
Committed investments in a joint venture and an associate	114,670	–
	4,030,784	315,078

(b) The Group provides guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB446 million (2015: approximately RMB185 million) and these contracts were still effective as at the close of business on 31 December 2016.

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, because the principal of each of the mortgage loans was normally below 70% of the sales price of the properties at the date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

(c) With reference to the Company's announcement dated 24 September 2015 (the "Announcement"), certain Financing Transactions were executed by Mr. Shi Jian (the former Chairman of the Group), purportedly acting for and on behalf of certain members of the Group, with third party financial institutions without the knowledge of the other Directors of the Company at the relevant time.

The Financing Transactions executed by Mr. Shi Jian were essentially guarantees for bank loans dated between 25 May 2011 and 19 December 2014, granted to certain connected persons (including Black Eagle (Shanghai) Investment Management Limited ("Black Eagle"), which became a wholly-owned subsidiary of SREI from 11 September 2015 and five subsidiaries of CNTD. The total outstanding balance of the loans secured by the Financing Transactions amounted to approximately RMB2.383 billion as of 31 August 2015.

39. COMMITMENTS AND CONTINGENCIES (continued)

(c) (continued)

On 10 October 2013, CNTD, China Development Bank International Holdings Limited ("CDBIH") and SREI entered into a share subscription agreement pursuant to which CDBIH agreed to subscribe for 5,347,921,071 new shares of CNTD subject to the terms and conditions contained therein (the "Subscription"). The Subscription was completed in the first quarter of 2014. As a result, CDBIH and SREI became the largest and second largest shareholder of CNTD respectively. As an appendix to the Subscription Agreement, there was a disposal master agreement between CNTD and SREI to dispose of specified assets and liabilities, not relating to CNTD's main principal business of planning and development of new town projects in Mainland China (the "Disposal Assets") to SREI or Black Eagle, which was designated by SREI to acquire the Disposal Assets.

Various bank loans of the CNTD's subsidiaries which form part of the Disposal Assets would have to be assumed by SREI or Black Eagle, which also require financing to acquire the Disposal Assets. As a result, the Financing Transactions were entered into with third party banks to provide them with further comfort to facilitate the transfer of the Disposed Assets. The Financing Transactions constituted financial assistance to related parties and also contingent liabilities of the Group.

Up to the date of issuance of these consolidated financial statements, the Group had not been asked to honour these Financing Transactions and no consequential losses had yet resulted. As at 31 December 2016, the total outstanding balance of the loans secured by the Financing Transactions amounted to approximately RMB1.252 billion (31 December 2015: approximately RMB2.347 billion). On 4 December 2015, upon completion of the subscription of shares (Note 30), China Minsheng Jiaye agreed to provide back-to-back indemnity in favour of the Company to indemnify and hold harmless the Company from and against any losses and costs that might be incurred as a result of the Financing Transaction as described above (the "CMJI Indemnity"). To further mitigate the potential loss arising from the Financing Transactions, on 3 November 2015, each of SREI and Madam Si Xiao Dong (spouse of Mr. Shi Jian) has entered into an irrevocable and unconditional undertaking in favour of the Company (on its own and its subsidiaries' behalf) to indemnify and hold harmless the Group for any losses arising from its payment obligations arising from the Financing Transactions (the "Indemnity").

The directors of Company are of the view that the Indemnities will, together with the CMJI Indemnity, be able to relieve the Group of the undesirable risk exposure, contingent liabilities and uncertainties caused by the Financing Transactions.

40. BUSINESS COMBINATION

On 6 July 2016, shareholders of the Company approved the acquisition master agreement (the "Agreement") dated 20 April 2016 between the Company, CNTD and SREI. Pursuant to the Agreement, the Company, conditionally, acquires certain businesses from CNTD (the "Certain Businesses") at a consideration of approximately RMB1,315 million, comprising RMB238 million as consideration for the equity interest of the Certain Businesses and the repayment of RMB1,077 million of payables of the Certain Businesses due to CNTD and/or its subsidiaries. The transaction was completed in 2016 when the conditions in the Agreement were met. The Certain Businesses are comprised of 100% equity interest in Chengdu Shanghai Real Estate Co., Ltd., 100% equity interest in Shanghai Lake Malaren Hospital Investment Co., Ltd., 72.63% equity interest in Shanghai Lake Malaren Commercial Management Co., Ltd., 72.63% equity interest in Shanghai Lake Malaren Corporate Development Co., Ltd. as well as 72.63% portion of certain rights and obligations relating to Relevant Business of Golden Luodian. The certain businesses of Golden Luodian (the "Relevant Business of Golden Luodian") include Lake Malaren Golf Course, Crowne Plaza Lake Malaren Shanghai Hotel and unsold portion of Lake Malaren Silicon Valley Project. The legal title of the Relevant Business of Golden Luodian remains unchanged under CNTD due to certain reasons, but the Company has the rights to possess, use, make profit and dispose them within the limits laid down by law. Given that the Company does not have the control over the Relevant Business of Golden Luodian, the Group accounts for the Relevant Business of Golden Luodian as joint venture using equity method in the consolidated financial statements.

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40. BUSINESS COMBINATION (continued)

As a result of the acquisition, the Group recognised a negative goodwill of approximately RMB6 million. The negative goodwill arising from the acquisition is attributable to the expected further appreciation of properties.

The following table summarises the consideration paid for the above business combination, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

In 2016	RMB'000
Total consideration in cash	238,247
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Assets:	
Cash and cash equivalents	38,472
Prepaid income tax	9,953
Trade receivables	791
Other receivables	283,380
Prepayments and other current assets	90,144
Inventories, at cost	730
Properties held or under development for sale	311,823
Prepaid land lease payments, current portion (Note 19)	227,015
Prepaid land lease payments, non-current portion (Note 19)	206,329
Investment in a joint venture	202,595
Investment properties (Note 18)	712,301
Property, plant and equipment (Note 17)	740,294
	2,823,827
Liabilities:	
Other payables and accruals	(1,541,035)
Trade payables	(236,761)
Advances received from the pre-sale of properties under development	(129,793)
Deferred tax liabilities (Note 33)	(131,292)
Interest-bearing bank and other borrowings	(492,629)
	(2,531,510)
Total identifiable net assets	292,317
Less: Non-controlling interest	(48,410)
Net assets acquired	243,907
Negative goodwill recognised as gain from acquisition	(5,660)

The Group recognised non-controlling interest in the Certain Businesses from CNTD at the non-controlling interest's proportionate share of its net identifiable assets.

The revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 contributed by the Certain Businesses from CNTD was approximately RMB76 million. The Certain Businesses from CNTD also contributed loss of approximately RMB10 million over the same period.

Had the Certain Businesses from CNTD been consolidated from 1 January 2016, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 would show pro-forma revenue of approximately RMB3,690 million and loss before income tax of approximately RMB25 million.

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40. BUSINESS COMBINATION (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the businesses is as follows:

	2016
Outflow of cash to acquire the businesses	**238,247**
Less: Cash and bank balances acquired	**(38,472)**
Net outflow of cash and cash equivalents in respect of the acquisition of equity interest of the businesses	**199,775**
Settlement of relevant payables	**1,076,945**
Total considerations paid, net of cash acquired	**1,276,720**

41. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

(a) On 29 December 2016, SRE Group Limited entered into a cooperation framework agreement (the "Agreement") with a third party purchaser (the "Purchaser") in relation to the disposal of the 49% equity interest in Jinxin Real Estate together with the settlement of 50% of the loan amount provided by companies within the Group to Jinxin Real Estate (the "inter-company receivables") from funds provided by the third party purchaser (the "Disposal of Jinxin Real Estate"). The agreed consideration was approximately RMB2,305 million, including approximately RMB2,112 million for equity and approximately RMB193 million for debt. Upon completion of the Disposal of Jinxin Real Estate, the Group's attributable interest in Jinxin Real Estate will be reduced to 51%. According to the Agreement and articles of association of Jinxin Real Estate, the Group and the Purchaser will jointly control the project development and sales of properties as well as other key relevant activities of Jinxin Real Estate. The profit of Jinxin Real Estate will be distributed between the Group and the Purchaser according to a 50:50 ratio. As at 31 December 2016, the transaction was in progress. Consequently, the related assets and liabilities of Jinxin Real Estate were classified as held for sale and presented under the property development segment.

The major classes of assets and liabilities of Jinxin Real Estate classified as held for sale as at 31 December 2016 are as follows:

Assets	
Cash and bank balances	**5,415**
Other receivables	**18,610**
Properties held or under development for sale	**944,062**
Prepayments	**1,590,270**
Prepaid land lease payments – Current (Note 19)	**930,096**
Property, plant and equipment (Note 17)	**254**
Goodwill (Note 20)	**75,866**
Assets classified as held for sale	**3,564,573**
Liabilities	
Trade payables	**–**
Other payables and accruals	**(6,362)**
Interest-bearing bank and other borrowings – Current	**(30,000)**
Deferred tax liabilities (Note 33)	**(41,284)**
Liabilities directly associated with the assets classified as held for sale	**(77,646)**
Net assets directly associated with the disposal group *	**3,486,927**

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41. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(a) (continued)

* Net assets classified as held for sale excluded inter-company payables of approximately RMB559 million which have been fully eliminated upon consolidation as at 31 December 2016.

As at 31 December 2016 and 2015, approximately RMB930 million (2015: approximately RMB8,672 million) of the Group's assets classified as held for sale had been pledged as collateral for the Group's bank and other borrowings classified as liabilities directly associated with the assets held for sale.

(b) On 30 November 2016, SRE Group Limited entered into a sale and purchase agreement (the "Agreement") with a third party purchaser in relation to the disposal of the 100% equity interest held by Shanghai Wingo Infrastructure Co., Ltd. in Shanghai Shanghui Construction Co., Ltd.("Shanghui Construction"). The agreed consideration was approximately RMB5.8 million. As at 31 December 2016, the transaction was in progress. Consequently, the related assets and liabilities of Shanghui Construction were classified as held for sale and presented under the other operations segment.

The major classes of assets and liabilities of Shanghui classified as held for sale as at 31 December 2016 are as follows:

Assets	
Cash and bank balances	**4,471**
Accounts receivable	**1,412**
Other receivables	**66**
Prepayments and other current assets	**47**
Assets classified as held for sale	**5,996**
Liabilities	
Trade payables	
Other payables and accruals	**(80,894)**
Current income tax liabilities	**(12,538)**
Deferred tax liabilities	**(1,426)**
Liabilities directly associated with the assets classified as held for sale	**(94,858)**
Net assets directly associated with the disposal group *	**(88,862)**

* Net assets classified as held for sale excluded inter-company payables of approximately RMB121 million which have been fully eliminated upon consolidation as at 31 December 2016.

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41. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(c) On 26 November 2015, the Company announced the disposal of a 60% equity interest in Mayson Resources Limited ("Mayson") to a third party purchaser (a subsidiary of China Vanke Co., Ltd. ("Vanke" or "Purchaser")) together with the settlement of 60% of the loan amount provided by companies within the Group to Mayson from funds provided by the third party Purchaser (collectively the "Disposal of Mayson"). The agreed consideration was RMB547,872,000. Upon completion of the Disposal of Mayson, the Group's attributable share in Shanghai Shou Cheng Real Estate Co., Ltd ("Shuo Cheng") will be reduced to 40% as it was a wholly-owned subsidiary of Mayson. As at 31 December 2015, the disposal transaction was still in progress and the transaction was only completed in January 2016. Consequently, all assets and liabilities of Shuo Cheng were classified as held for sale and presented under the property development segment.

The major classes of assets and liabilities of Shuo Cheng classified as held for sale as at 31 December 2015 are as follows:

(Restated)	
Assets	
Cash and bank balances	551,758
Other receivables	4,508
Properties held or under development for sale	3,796,505
Prepaid income tax	247,027
Prepaid land lease payments – Current	3,221,476
Property, plant and equipment	1,261
Deferred tax assets (Note 33)	44,611
Investment properties (Note 18)	361,494
Assets classified as held for sale	8,228,640
Liabilities	
Trade payables	(117,537)
Other payables and accruals	(23,466)
Current income tax liabilities	(169,081)
Advances received from the pre-sale of properties under development	(3,070,572)
Interest-bearing bank and other borrowings – Non-current	(3,000,000)
Deferred tax liabilities (Note 33)	(78,195)
Liabilities directly associated with the assets classified as held for sale	(6,458,851)
Net assets directly associated with the disposal *	1,769,788

* Net assets classified as held for sale excluded inter-company payables of approximately RMB839 million which have been fully eliminated upon consolidation as at 31 December 2015.

As at 31 December 2015, 100% equity interest in Shuo Cheng was pledged to Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke"), a subsidiary of China Vanke Co., Ltd., for a loan provided by Shanghai Vanke which was repaid in full before the end of 2015, whilst the pledge was not released at the same time. Incidentally, interest-bearing bank borrowings of RMB3 billion of Shuo Cheng were guaranteed by the Company as of 31 December 2015. After the completion of the disposal of the 60% equity interest in Shuo Cheng to Vanke in January 2016, the guarantee by the Company was released. In addition, as of 31 December 2015, Shuo Cheng had provided guarantees for companies within the Group and at the request of Vanke, 51% of equity interest in Bairun was pledged to Shuo Cheng as indemnity, which had been released as of 31 December 2016.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

41. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(d) On 9 February 2015, Oasis Garden entered into a Sale and Purchase Agreement (the "Agreement") with a third party purchaser in relation to the disposal of the 80% equity interest held by Oasis Garden in Haikou Century Habour City Co., Ltd ("Haikou Century") together with the settlement of the loan amount provided by companies within the Group to Haikou Century (the "inter-company receivables") from funds provided by the third party purchaser (the "Disposal of Haikou Century"). The agreed consideration was RMB176,000,000 with RMB244,959,000 for the settlement of the inter-company receivables. According to the Agreement, the equity shares will not be transferred, and consequently the disposal transaction might be cancelled, unless all the sale conditions have been fulfilled. As at 31 December 2015, the disposal transaction was still in progress and the transaction was only completed in January 2016. Consequently, the related assets and liabilities of Haikou Century were classified as held for sale and presented under the property development segment.

The major classes of assets and liabilities of Haikou Century classified as held for sale as at 31 December 2015 are as follows:

(Restated)	
Assets	
Cash and bank balances	650
Other receivables	9,319
Properties held or under development for sale	80,232
Advances to subsidiaries	3,443
Prepaid income tax	39,471
Prepaid land lease payments – Current	296,650
Property, plant and equipment	909,813
Prepaid land lease payments – Non-current	61,436
Assets classified as held for sale	1,401,014
Liabilities	
Trade payables	(337,447)
Other payables and accruals	(174,084)
Current income tax liabilities	(12,685)
Advances received from the pre-sale of properties under development	(2,974)
Interest-bearing bank and other borrowings – Current	(47,979)
Interest-bearing bank and other borrowings – Non-current	(364,000)
Liabilities directly associated with the assets classified as held for sale	(939,169)
Net assets directly associated with the disposal group *	461,845

* Net assets classified as held for sale excluded inter-company payables of approximately RMB245 million which have been fully eliminated upon consolidation as at 31 December 2015.

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42. DISCONTINUED OPERATION

(a) Description

On 5 April 2016, the Group disposed all its equity interest in a 56% owned subsidiary, Shanghai Skyway Hotel Co. Ltd., to the Great Wall Guo Fu Real Estate Co. Ltd. ("the Purchaser"). Given that Shanghai Skyway Hotel Co. Ltd. constituted the majority of hotel operations of the Group, hotel operations were regarded as discontinued operation after the disposal of this subsidiary.

The carrying amount of assets and liabilities as at the date of sale were:

	2016
Property, plant and equipment	357,454
Prepaid land lease payment (Note 19)	39,749
Investment properties (Note 18)	1,275,000
Other receivables	246,592
Trade receivables	6,530
Cash and bank balances	19,941
Prepayments and other current assets	88
Inventories	8,398
Advances received from the pre-sale of properties under development	(13,965)
Trade payables	(5,737)
Other payables and accruals	(87,741)
Interest-bearing bank and other borrowings	(1,453,044)
Deferred tax liabilities (Note 33)	(224,978)
Non-controlling interests	(73,862)
Net assets	94,425

(b) Financial performance and cash flow information

Financial information relating to Shanghai Skyway Hotel Co. Ltd. for the period to the date of disposal is set out below. The income statement distinguishes discontinued operation from continuing operations. Comparative figures have been restated.

Income statement information

	2016	2015
Revenue	38,760	160,940
Cost and expenses	(55,097)	(257,173)
Loss before income tax from discontinued operation	(16,337)	(96,233)
Income tax expense	–	–
Loss for the period/year from discontinued operation before disposal	(16,337)	(96,233)
Loss from discontinued operation attributable to:		
– Owners of the Company	(9,149)	(53,890)
– Non-controlling interests	(7,188)	(42,343)
	(16,337)	(96,233)

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42. DISCONTINUED OPERATION (continued)

Cash flows

	2016	2015
Operating cash flows	1,611	6,266
Investing cash flows	557,191	–
Total cash flows	558,802	6,266
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operations	1,611	6,266
Net cash flows from operating activities	1,611	6,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of the subsidiary, net of cash disposed	557,191	–
Net cash flows from investing activities	557,191	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	558,802	6,266

(c) Details of the sale of the subsidiary

	2016
Consideration	
Cash received	577,132
Withholding tax paid by the Purchaser on behalf of the Group	53,110
Receivable	12,862
Total disposal consideration	643,104
Carrying amount of net assets sold	(94,425)
Gain on disposal before income tax	548,679
Income tax expense on gain	(53,110)
Gain on disposal after income tax	495,569

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43. DISPOSAL OF SUBSIDIARIES

(a) In January 2016, the Group disposed all its 80% equity interest in Haikou Century, to Khorgos Rui Hong Equity Investment Co. Ltd. ("Rui Hong"). The agreed consideration was approximately RMB176 million for equity and approximately RMB245 million for the settlement of the inter-company receivables. On the disposal date, the net asset value attributable to the Group of Haikou Century Habour City Co. Ltd. amounted to approximately RMB168 million. As of 31 December 2016, the Group had collected approximately RMB94 million related to the disposal and had filed a lawsuit against Haikou Century and Rui Hong for the collection of the outstanding balances. As of the date of issuance of these consolidated financial statements, the lawsuit was still in progress. The Group estimated that it would be able to collect the remaining debt of approximately RMB110 million considering the assets held by Haikou Century Habour City Co. Ltd. However, there is uncertainty in the collection of the equity portion of approximately RMB176 million and, hence, a loss of approximately RMB168 million was recognised.

	2016
Net assets disposed of:	
Property, plant and equipment	**909,813**
Prepaid land lease payment	**61,436**
Prepaid income tax	**39,471**
Other receivables	**9,319**
Cash and bank balances	**650**
Prepayments and other current assets	**3,443**
Properties held or under development for sale	**80,232**
Prepaid land lease payments – Current	**296,650**
Advances received from the pre-sale of properties under development	**(2,974)**
Trade payables	**(337,447)**
Other payables and accruals	**(419,043)**
Current income tax liabilities	**(12,685)**
Interest-bearing bank and other borrowings	**(411,979)**
Deferred tax liabilities (Note 33)	**(724)**
Non-controlling interests	**(47,852)**
	168,310
Loss on disposal of the subsidiary	**(168,310)**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2016
Cash proceeds received	–
Cash and bank balances disposed of	**(650)**
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	**(650)**

The Group is in the process of suing the purchaser of the transaction on the collectability of such receivables.

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43. DISPOSAL OF SUBSIDIARIES (continued)

(b) In January 2016, the Group disposed 60% of its equity interest in Mayson to Mainlandcn Ten Company Limited (a wholly-owned subsidiary of China Vanke Co., Ltd.) and lost control in the originally wholly-owned subsidiary. Mayson became an associate of the Group after the transaction.

On the disposal date, the net asset value of Mayson amounted to approximately RMB669 million, and the fair value of 40% equity interest of Mayson determined based on the fair value of the net asset of Mayson amounted to approximately RMB449 million. After the disposal of 60% equity interest in Mayson, the 40% retained interest in Mayson held by the Group was re-measured to its fair value of approximately RMB449 million at the date when control was lost, and the difference with its then carrying amount of approximately RMB181 million was recognised as part of disposal gain in the consolidated statement of profit or loss and other comprehensive income. The consideration in relation to the 60% equity interest in of Mayson was approximately RMB322 million. As such, the Group recorded a gain on disposal of approximately RMB102 million.

As a result of the disposal, the 60% equity interest in Shuo Cheng was also disposed of as it is a wholly-owned subsidiary of Mayson.

	2016
Net assets disposed of:	
Property, plant and equipment	1,261
Investment properties	361,494
Deferred income tax assets	44,611
Other receivables	4,508
Cash and bank balances	551,758
Prepaid income tax	247,027
Properties held or under development for sale	3,796,505
Prepaid land lease payments – Current	3,221,476
Advances received from the pre-sale of properties under development	(3,070,572)
Trade payables	(117,537)
Other payables and accruals	(1,123,469)
Current income tax liabilities	(169,081)
Interest-bearing bank and other borrowings	(3,000,000)
Deferred tax liabilities	(78,195)
Non-controlling interests	(509)
100% of net assets disposed at book value	669,277
Fair value of 40% retained interest accounted for as an associate	(448,961)
Gain on disposal of the subsidiary	102,353
Satisfied by cash	322,669

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2016
Cash proceeds received	322,669
Cash and bank balances disposed of	(551,758)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(229,089)

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43. DISPOSAL OF SUBSIDIARIES (continued)

(c) In April 2016, the Group disposed all its 85% equity interest in Shanghai Real Estate Internet Financial Information Service Co. Ltd. to Shanxi Xifeng Investment Co. Ltd., He Xing Jin Kong Investment Co. Ltd. and Shanghai Qin Yi Business Consulting Co. Ltd. at a total consideration of RMB1. On the disposal date, the net asset value attributable to the Group of Shanghai Real Estate Internet Financial Information Service Co. Ltd. was approximately RMB-3 million. The Group recorded a gain on disposal of approximately RMB3 million.

	2016
Net assets disposed of:	
Property, plant and equipment	229
Other receivables	243
Trade receivables	516
Cash and bank balances	39
Prepayments and other current assets	559
Trade payables	(129)
Other payables and accruals	(5,191)
Non-controlling interests	561
	(3,173)
Gain on disposal of the subsidiary	3,173
Satisfied by cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2016
Cash proceeds received	–
Cash and bank balances disposed of	(39)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(39)

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43. DISPOSAL OF SUBSIDIARIES (continued)

(d) In November 2016, the Group disposed all its 100% equity interest in Rosy Central Investments Limited ("Rosy Central") at a consideration of RMB1. As a result of the disposal, the 100% equity interest in Shanghai Real Estate Property Management. Co. Ltd., 100% equity interest in Shanghai Lake Malaren Property Management Co., Ltd. and 50% equity interest in Shanghai Richgate Hotel Management Co., Ltd. were also disposed of as they are subsidiaries of Rosy Central. On the disposed date, the net asset value attributable to the Group of Rosy Central was approximately RMB-69 million. The Group recorded a gain on disposal of approximately RMB69 million.

	2016
Net assets disposed of:	
Property, plant and equipment	1,497
Other receivables	58,746
Trade receivables	10,351
Cash and bank balances	39,090
Prepayments and other current assets	2,088
Inventories	283
Advances received from the pre-sale of properties under development	(5,983)
Trade payables	(7,858)
Other payables and accruals	(166,955)
Deferred tax liabilities (Note 33)	(210)
Non-controlling interests	(76)
	(69,027)
Gain on disposal of the subsidiary	69,027
Satisfied by cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2016
Cash proceeds received	–
Cash and bank balances disposed of	**(39,090)**
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	**(39,090)**

The board of directors is of the view that the amount of the above transaction was insignificant, and hence does not constitute discontinued operation of business.

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43. DISPOSAL OF SUBSIDIARIES (continued)

(e) On 21 September 2015, Xiangdao disposed of its entire 100% equity interest in Shanghai Xiang Zhi Investment Ltd. ("Xiang Zhi"). As a result of the disposal, the 100% equity interest in Shanghai Dinan Real Estate Development Ltd. was also disposed of as it is a wholly-owned subsidiary of Xiang Zhi.

	2015 (Restated)
Net assets disposed of:	
Cash and bank balances	4
Deferred assets	184
Properties held or under development for sale	181,640
Prepaid land lease payments – Current	763,314
Other payables and accruals	(866,000)
Non-controlling interests	261
	79,403
Gain on disposal of the subsidiary	154,597
Satisfied by cash	234,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2015 (Restated)
Cash proceeds received	234,000
Cash and bank balances disposed of	(4)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	233,996

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. DISPOSAL OF SUBSIDIARIES (continued)

(f) On 22 September 2015, Zhufu disposed of its entire 55% equity interest in Shanghai Lushan Real Estate Ltd..

	2015 (Restated)
Net assets disposed of:	
Property, plant and equipment	15
Other receivables	11,043
Cash and bank balances	2,438
Prepayments	485,910
Properties held or under development for sale	176,448
Prepaid land lease payments – Current	235,574
Trade payables	(380)
Other payables and accruals	(175,043)
Tax payable	(1,072)
Interest-bearing bank and other borrowings	(694,300)
Deferred tax liabilities (Note 33)	(7,012)
Non-controlling interests	(30,707)
	2,914
Gain on disposal of the subsidiary	39,036
Consideration	41,950

The consideration has been settled in cash as of 31 December 2016 (Note 25).

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2015 (Restated)
Cash proceeds received	–
Cash and bank balances disposed of	(2,438)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(2,438)

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44. PARTLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

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

	Shanghai Bairun Real Estate Co., Ltd. ("Bairun") 2016	2015	Shanghai Skyway Hotel Co., Ltd. ("Skyway") 2015
Percentage of equity interest held by non-controlling interest	**49.64%**	49.64%	44.58%

	Bairun 2016	2015	Skyway 2015 (Restated)
Profit/(loss) for the year allocated to non-controlling interest	**128,491**	(23,987)	8,372
Accumulated balance of non-controlling interests at the reporting dates	**111,184**	(17,307)	89,790

The following tables illustrate the summarised financial information of the above subsidiaries.

	Bairun 2016	2015	Skyway 2015 (Restated)
Revenue	**1,955,735**	517	220,728
Total expenses	**1,603,398**	64,900	309,170
Other (losses)/gains	**(4,211)**	(42)	134,082
Profit/(loss) for the year	**258,859**	(48,325)	18,780
Total comprehensive income/(losses) for the year	**258,859**	(48,325)	18,780
Current assets	**928,533**	2,163,190	42,916
Non-current assets	**196**	17,354	2,007,978
Current liabilities	**(701,015)**	(2,207,929)	(67,940)
Non-current liabilities	**(3,733)**	(7,482)	(1,781,547)
Net cash flows from operating activities	**558,853**	679,897	28,125
Net cash flows (used in)/from investing activities	**(257,011)**	(60)	650
Net cash flow used in financing activities	**(597,033)**	(362,506)	(18,400)
Net (decrease)/increase in cash and cash equivalents	**(295,191)**	317,331	10,375

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45. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions and balances with related parties.

(a) Name and relationship with related parties

Name	Relationship
Broadband	An associate of the Group
New Technology	An associate of the Group
Relevant Business of Golden Luodian	A joint venture of the Group
Linzhi Zhong Min Real Estate Co., Ltd. ("Linzhi")	A company ultimately controlled by the same company
Mayson	An associate of the Group
Shuo Cheng	A subsidiary of an associate of the Group
Black Eagle	A subsidiary of the minority shareholder of the Group

(b) Transactions with related parties

(i) Sales to a related party

	2016	2015 (Restated)
Broadband	–	247

(ii) Purchases from a related party

	2016	2015 (Restated)
New Technology	–	112

(iii) Paid on behalf of a related party

	2016	2015 (Restated)
Relevant Business of Golden Luodian	951,180	–

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45. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(iv) Fundings/advances from related parties

	2016	2015 (Restated)
Linzhi	**600,000**	–
Shuo Cheng	**356,560**	
Broadband	**44**	–
	956,604	–

(v) Compensation to key management personnel of the Group

	2016	2015 (Restated)
Salaries and other short-term employee benefits	**59,728**	14,599

(vi) Occupation of properties owned by a related party

Some subsidiaries of the Group occupied certain properties with total gross floor areas of approximately 1,150 square meters leased by the Company's parent company for operational use, which is free of charge.

(c) Related-party balances

(i) Trade receivable due from a related party

	2016	2015 (Restated)
Broadband	**247**	247

(ii) Trade payable due to a related party

	2016	2015 (Restated)
New Technology	**112**	112

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45. RELATED PARTY TRANSACTIONS (continued)

(c) Related-party balances (continued)

(iii) Other receivables due from related parties

	2016	2015 (Restated)
Relevant Business of Golden Luodian	**951,180**	–
Mayson*	**153,376**	–
	1,104,556	–

* The balance was an inter-company receivable fully eliminated upon consolidation as at 31 December 2015, but turned into other receivables as Mayson was disposed and became an associate of the Group.

Amounts due from related parties are unsecured, bear no interest and are repayable on demand.

(iv) Other payables due to related parties

	2016	2015 (Restated)
Shuo Cheng	**356,560**	–
Linzhi	**600,000**	–
Black Eagle*	**270,124**	–
Broadband	**44**	–
	1,226,728	–

* The balance represents the payable carried forward from the business combination (Note 40).

Amounts due to related parties are unsecured, bear no interest and are repayable on demand.

(v) Loan guarantee/security to the Group

No term loan is secured by a property in Hong Kong jointly owned by Mr. Shi Jian and Md. Si Xiao Dong as of 31 December 2016 (2015: RMB134 million (entered into in 2012)).

No term loan is guaranteed by SREI, Mr. Shi Jian and Md. Si Xiao Dong as of 31 December 2016 (2015: RMB1,883 million).

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45. RELATED PARTY TRANSACTIONS (continued)

(c) Related-party balances (continued)

(vi) Loans from related parties

	2016	2015 (Restated)
Loans from parent company (a)	**3,640,550**	1,110,000
– Current	**2,520,275**	1,110,000
– Non-current	**1,120,275**	–
Loans from a company ultimately controlled by the same company		
– Current (b)	**1,000,000**	–
	4,640,550	1,110,000

(a) Term loans of approximately RMB3.64 billion (31 December 2015: approximately RMB1.11 billion) were provided by the parent company, China Minsheng Jiaye in 2016, which comprised the following borrowings:

(i) The loan of RMB560 million, secured by the pledges of the Company's equity interests of subsidiaries and guaranteed by Mr. Shi Janson Bing with original tenure of three months, was provided in September 2015, renewed on December 2015 for twelve months, and was repaid on December 2016. Interest rate of the loan is 8% per annum.

(ii) The loan of RMB550 million with original tenure of three months, was provided in December 2015, was renewed on March 2016 for twelve months, and was repaid on December 2016. The interest rate was 8% per annum.

(iii) The loans of RMB600 million and RMB2 billion, respectively, were provided in April 2016 with interest rate of 8% per annum. The tenures of the loans were six months and twelve months, respectively. The loan of RMB600 million was renewed on November 2016 for three years.

(iv) The loan of USD150 million (approximately RMB1,041 million), was provided in September 2016 with interest rate of 4% per annum. 50% of loan falls due in 3 years and the remaining 50% falls due in one year.

(b) Entrusted loans of RMB1 billion were provided by a fellow subsidiary, China Minsheng Zhixuan Investment Co., Ltd. in 2016, which comprised the following borrowings:

(i) The loan of RMB800 million with tenure of twelve months, was provided in March 2016. Interest rate of the loan is 8.5% per annum.

(ii) The loan of RMB200 million with original tenure of twelve months, was provided in May 2016. Interest rate of the loan is 8.35% per annum.

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46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2016	2015 (Restated)
Financial assets		
Available-for-sale investments	642,806	11,500
Loans and receivables		
– Loans and receivables	165,000	214,400
– Other receivables	1,678,141	302,426
– Trade receivables	24,863	58,345
– Notes receivable	–	540
– Cash and bank balances	1,512,857	2,555,089
– Other non-current assets	71,519	–
	4,095,186	3,142,300
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	6,765,468	9,147,723
– Trade payables	792,301	682,361
– Others	4,151,714	695,189
	11,709,483	10,525,273

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques (Note 2.4).

The Group's financial assets mainly include cash and bank balances, receivables and available-for-sale investments.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and liabilities (continued)

Assets and liabilities measured at fair value:

The available-for-sale financial assets of the Group are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016. See Note 18 for disclosures of the investment properties that are also measured at fair value.

	Level 1	Level 2	Level 3	Total
Available-for-sale investments	–	–	642,806	642,806

There were no transfers between level 1 and 2 during the year.

The following table presents the changes in level 3 instruments for the year ended 31 December 2016.

Opening balance	11,500,000
Acquisition	642,806,000
Disposal	(11,500,000)
Ending balance	642,806,000

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 32.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates of the major currencies in which the Group's borrowings are denominated, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before income tax.

	2016	2015 (Restated)
	Impact on profit before income tax	Impact on profit before income tax
Changes in variables – RMB interest rate		
+ 50 basis points	**(9,642)**	(39,198)
- 50 basis points	**9,642**	39,198
Changes in variables – HK$ interest rate		
+ 50 basis points	**–**	(4,142)
- 50 basis points	**–**	4,142
Changes in variables – US$ interest rate		
+ 50 basis points	**–**	(2,403)
- 50 basis points	**–**	2,403

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks and bank borrowings, which are mainly denominated in United States dollars ("US$") and Hong Kong dollars ("HK$").

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and the HK$ exchange rates, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the impact on profit before income tax as disclosed below.

	2016	2015
		(Restated)
	Impact on profit before income tax	Impact on profit before income tax
Changes in exchange rate of US$ against Renminbi		
+ 5%	**(43,134)**	(23,768)
- 5%	**43,134**	23,768
Changes in exchange rate of HK$ against Renminbi		
+ 5%	**(1,327)**	21,173
- 5%	**1,327**	(21,173)

Credit risk

Credit risk mainly arises from cash at banks, trade receivables and other receivables. The guarantees as disclosed in Note 39 might also result in credit risk to the Group. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Receivable balances are monitored on an on-going basis other than the significant receivables in Note 25. Except for due from related parties, there is no other significant concentration of credit risk within the Group as other debtors of the Group's receivables are widely dispersed and the majority of the Group's financial assets are cash at banks as at 31 December 2016. Directors of the Group believe credit risk associated with due from related parties is low considering the financial position of these related parties.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of the reporting period. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancement.

	2016	2015 (Restated)
Financial assets		
Available-for-sale investments	**642,806**	11,500
Loans and receivables		
– Loans and receivables	**165,000**	214,400
– Other receivables	**1,678,141**	302,426
– Trade receivables	**24,863**	58,345
– Notes receivable	**–**	540
Cash at banks	**1,512,857**	2,555,089
Other non-current assets	**71,519**	–
	4,095,186	3,142,300

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to monitor the Group's future state of liquidity as estimated from the results of the Group's strategic and planning process. A 12-month forecast of fund requirements is updated monthly for the latest development.

Other than properties developed for sale, the Group also develops and holds properties for the long-term, such as investment properties. Such long-term assets have constituted an increasing proportion of total assets in recent years, which bring liquidity risk to the Group. In order to mitigate the liquidity risk, the Group adjusted its financing strategy to get more long-term borrowings and shareholder's loans.

The Group has developed strategic relationship with certain major state-owned banks that will normally provide financing to the Group when approval from the relevant government authorities for the commencement of a project is obtained. The Group also seeks financing from overseas markets through close cooperation with several world-wide banks.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash outflows, is as follows:

	2016					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing bank and other borrowings	**–**	**852,312**	**3,364,505**	**2,344,382**	**1,615,386**	**8,176,585**
Trade payables	**109,155**	**31,602**	**290,744**	**360,800**	**–**	**792,301**
Others	**493,503**	**17,924**	**1,070,602**	**264,651**	**–**	**1,846,680**
	602,658	**901,838**	**4,725,851**	**2,969,833**	**1,615,386**	**10,815,566**

	2015 (Restated)					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	1,317,388	8,128,959	2,493,255	717,432	12,657,034
Trade payables	137,132	9,531	232,292	303,407	–	682,362
Others	148,219	17,104	161,367	346,132	22,367	695,189
	285,351	1,344,023	8,522,618	3,142,794	739,799	14,034,585

Management has assessed that the fair values of trade payables and others approximate to their carrying amounts largely due to the short term maturities of these instruments.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

As the Group is mainly engaged in the development of properties, it needs a substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by capital plus net debt.

Net debt includes interest-bearing bank and other borrowings, less cash and bank balances, and excludes assets classified as held for sale and liabilities directly associated with the assets classified as held for sale. Capital includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2016	2015 (Restated)
Interest-bearing bank and other borrowings (Note 32)	**6,765,468**	9,147,723
Less: Cash and bank balances (Note 27)	**(1,512,857)**	(2,555,089)
Net debt	**5,252,611**	6,592,634
Equity attributable to owners of the Company	**6,674,379**	6,402,895
Non-controlling interests	**377,682**	332,742
Capital	**7,052,061**	6,735,637
Capital and net debt	**12,304,672**	13,328,271
Gearing ratio	**43%**	49%

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For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

49. INFORMATION ABOUT SUBSIDIARIES

As at 31 December 2016, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Sinopower Investment Limited	British Virgin Islands ("BVI") 1 October 1998	100%	–	US$52	US$50,000	Investment holding
Shanghai Xin Dong Industry Co., Ltd.	PRC/Mainland China 28 May 1993	–	98%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC/Mainland China 29 September 1998	–	98.75%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC/Mainland China 4 August 1999	–	98.96%	US$20,000,000	US$20,000,000	Development of technology housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC/Mainland China 11 August 2000	–	50.36%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd.	BVI 29 September 2001	–	52%	US$100	US$50,000	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC/Mainland China 16 April 2002	–	51.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC/Mainland China 14 June 2002	–	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC/Mainland China 18 October 2007	–	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd.	PRC/Mainland China 12 August 2002	–	95.79%	US$54,962,000	US$54,962,000	Property development and property leasing
Shanghai Jinxin Real Estate Co., Ltd. (*)	PRC/Mainland China 28 October 2002	–	100%	RMB2,660,000,000	RMB2,660,000,000	Property development
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management")	PRC/Mainland China 30 October 2007	–	100%	US$31,936,200	US$31,936,200	Property leasing

For the year ended 31 December 2016 (Amounts presented in thousands of Renminbi unless otherwise stated)

49. INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 16 October 2008	–	98.75%	RMB10,000,000	RMB10,000,000	Property development
Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao")	PRC/Mainland China 4 December 2000	–	97.5%	RMB750,000,000	RMB750,000,000	Property development
Shenyang Lukang Real Estate Ltd. ("Shenyang Lukang")	PRC/Mainland China 13 July 2007	–	98.95%	US$31,250,000	US$31,250,000	Property development
Shanghai Xiangdao Real Estate Ltd. ("Xiangdao")	PRC/Mainland China 21 July 2009	–	98.75%	RMB330,000,000	RMB330,000,000	Property development
Shanghai Xiabo Industry Ltd.	PRC/Mainland China 14 September 1995	–	98.75%	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property Development Co., Ltd.	PRC/Mainland China 27 December 1996	–	98.75%	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC/Mainland China 16 May 2002	–	50.36%	RMB605,500,000	RMB605,500,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Wuxi Zhongqing")	PRC/Mainland China 11 July 2008	–	98.75%	RMB85,000,000	RMB85,000,000	Property development
Wuxi Yongqing Real Estate Co., Ltd. ("Wuxi Yongqing")	PRC/Mainland China 27 January 2007	–	98.75%	RMB20,000,000	RMB20,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. ("Jiaxing Lake Richgate")	PRC/Mainland China 26 September 2007	–	98.75%	US$49,900,000	US$49,900,000	Property development
Shanghai Zhiyi Enterprise Ltd.	PRC/Mainland China 14 March 2011	–	98.96%	RMB30,000,000	RMB30,000,000	Procurement management
Shanghai Shanghui Construction Co., Ltd. ("Shanghui Construction") (*)	PRC/Mainland China 26 Nov 2012	–	98.96%	RMB5,000,000	RMB5,000,000	Procurement management
Dalian Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 19 July 2013	–	50.36%	RMB30,000,000	RMB30,000,000	Property development

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49. INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Zhi Yi Investment Ltd.	PRC/Mainland China 21 January 2014	–	100%	RMB140,000,000	RMB790,000,000	Investment
Changsha Horoy Real Estate Co., Ltd.(**)	PRC/Mainland China 25 September 2007	–	70%	RMB20,000,000	RMB20,000,000	Property development
Chengdu Shanghai Real Estate Co., Ltd	PRC/Mainland China 20 December 2010	–	100%	RMB20,000,000	RMB20,000,000	Property development
Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd.	PRC/Mainland China 17 October 2013	–	100%	RMB10,000,000	RMB10,000,000	Hospital
Shanghai Lake Malaren Corporate Development Co., Ltd	PRC/Mainland China 08 April 2014	–	72.63%	RMB70,000,000	RMB70,000,000	Property development
Shanghai Lake Malaren Commercial Management Co., Ltd	PRC/Mainland China 08 April 2014	–	72.63%	RMB70,000,000	RMB70,000,000	Property development
CMSREUK Tower Hill Propco Limited	UK/Bailiwick of Jersey 25 August 2016	–	100%	GBP15,000,000	GBP15,000,000	Property leasing
CMSREUK Moorgate Propco Limited	UK/Bailiwick of Jersey 14 September 2016	–	100%	GBP5,700,000	GBP5,700,000	Property leasing
CMSREUK Sinclair Partner Co Limited	UK 28 September 2016	–	100%	GBP	GBP13,400,000	Property development

* These subsidiaries were disposed of in subsequent period and were reclassified as "Assets/Liabilities held for sale" as at 31 December 2016 (Note 41).

** In 2016, the Group acquired 70% equity interest in Changsha Horoy Real Estate Co., Ltd. The directors consider the acquisition is asset acquisition in substance rather than business combination and therefore is accounted for as asset acquisition.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI, Hong Kong, the United Kingdom and Australia with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

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50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016	2015 (Restated)	2014 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	**26**	347	351
Investments in subsidiaries	**2,427,368**	2,791,337	4,031,297
Advances to subsidiaries	**1,777,260**	952,087	1,029,860
	4,204,654	3,743,771	5,061,508
Current assets			
Dividends receivable from subsidiaries	**1,951,622**	1,951,622	1,951,622
Prepayments and other current assets	**98,441**	36,414	5,906
Cash and bank balances	**546,067**	1,253,874	46,140
	2,596,130	3,241,910	2,003,668
Total assets	**6,800,784**	6,985,681	7,065,176
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium	**6,747,788**	6,747,788	5,574,532
Reserves	**(1,205,788)**	(1,078,054)	221,384
Total equity	**5,542,000**	5,669,734	5,795,916
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	**716,779**	174,863	294,571
Current liabilities			
Interest-bearing bank and other borrowings	**520,275**	1,134,079	973,540
Other payables and accruals	**21,730**	7,005	1,149
	542,005	1,141,084	974,689
Total liabilities	**1,258,784**	1,315,947	1,269,260
Total equity and liabilities	**6,800,784**	6,985,681	7,065,176

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2017 and was signed by the following Directors on its behalf:

He Binwu
Chairman

Peng Xinkuang
Chief Executive Officer

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50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Accumulated losses	Others	Total
Balance at 1 January 2016	**(1,353,703)**	**275,649**	**(1,078,054)**
Total comprehensive loss for the year	**(171,006)**	**–**	**(171,006)**
Transaction with owners:			
Share-based payments	**–**	**43,272**	**43,272**
Balance at 31 December 2016	**(1,524,709)**	**318,921**	**(1,205,788)**

	Accumulated losses	Others	Total
Balance at 1 January 2015	(54,264)	275,649	221,385
Total comprehensive loss for the year	(1,299,439)	–	(1,299,439)
Balance at 31 December 2015	(1,353,703)	275,649	(1,078,054)

51. EVENTS AFTER THE REPORTING PERIOD

On 17 February 2017, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with a third party, to purchase 80% beneficial ownership interest in a property, which is a parcel of land with a site area of approximately 1,860 square meters situated in the United States, at a cash consideration of USD88,000,000 (equivalent to approximately RMB602 million). This transaction has not been completed at the date of issuance of these consolidated financial statements.

52. APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2017.