Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 01777)

ANNOUNCEMENT OF 2016 ANNUAL RESULTS

HIGHLIGHTS

– The Group recorded total contract sales for the year of 2016 of over RMB12,206 million and reached approximately 101.7% of the Group's annual sales target of RMB12,000 million.

– The Group's total revenue increased by 33.8% to RMB10,921 million in 2016 from RMB8,164 million in 2015.

– The Group's gross profit margin in 2016 maintained a relatively high level of 32.3%.

– The Group's profit for the year decreased by 24.1% from RMB1,403 million in 2015 to RMB1,064 million in 2016 which was mainly due to the exchange loss increased by 184.6% to RMB666 million in 2016 from RMB234 million in 2015.

– The Group's net gearing ratio (being the aggregated of borrowings, senior notes and bonds and assets backed securities issued net of bank balances and cash and restricted/pledged bank deposits over the total equity) as at 31 December 2016 was 83.0%, which increased by 7.2 percentage points from 75.8% as at 31 December 2015.

– Basic earnings per share was RMB0.14 (2015: RMB0.21).

– The Board proposed the payment of a final dividend of HK$5.00 cents per share.

The board (the "Board") of Directors (the "Directors") of Fantasia Holdings Group Co., Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "Period") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
Revenue	3	**10,920,638**	8,164,297
Cost of sales and services		**(7,392,156)**	(5,645,554)
Gross profit		**3,528,482**	2,518,743
Other income, gains and losses	4	**(585,172)**	(108,360)
Change in fair value of investment properties		**405,076**	713,887
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**478,005**	175,922
Selling and distribution expenses		**(222,772)**	(318,594)
Administrative expenses		**(851,273)**	(741,241)
Finance costs	5	**(932,238)**	(302,340)
Share of results of associates		**(2,528)**	626
Share of results of joint ventures		**48,504**	(7,324)
Gains on disposal of subsidiaries		**640,080**	790,039
Profit before tax	6	**2,506,164**	2,721,358
Income tax expense	7	**(1,441,816)**	(1,318,542)
Profit for the year		**1,064,348**	1,402,816
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties		**–**	11,876
Remeasurement of defined benefit obligations		**(22,974)**	–
Income tax relating to items that will not be reclassified subsequently to profit or loss		**5,743**	(2,969)
Other comprehensive (expense) income for the year, net of income tax		**(17,231)**	8,907
Profit and total comprehensive income for the year		**1,047,117**	1,411,723
Profit for the year attributable to:			
Owners of the Company		**805,736**	1,210,610
An owner of perpetual capital instrument		**37,550**	63,875
Other non-controlling interests		**221,062**	128,331
		1,064,348	1,402,816
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**795,426**	1,215,955
An owner of perpetual capital instrument		**37,550**	63,875
Other non-controlling interests		**214,141**	131,893
		1,047,117	1,411,723
Earnings per share – basic (RMB)	9	**0.14**	0.21
Earnings per share – diluted (RMB)	9	**0.14**	0.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,078,272**	1,766,869
Investment properties		**6,981,839**	6,884,931
Interests in associates		**735,336**	6,789
Interests in joint ventures		**951,667**	410,044
Available-for-sale investments		**30,215**	–
Goodwill		**912,750**	733,549
Intangible assets		**259,248**	204,474
Prepaid lease payments		**1,765,515**	868,698
Premium on prepaid lease payments		**1,592,486**	172,169
Other receivables		**244,038**	376,841
Deposits paid for acquisition of subsidiaries		**267,130**	231,329
Deposit paid for acquisition of a property project		**159,073**	140,946
Deposits paid for acquisition of land use rights		**1,095,077**	1,050,077
Deferred tax assets		**466,577**	462,161
		17,539,223	13,308,877
CURRENT ASSETS			
Properties for sale		**15,347,979**	21,801,648
Inventories		**80,414**	–
Prepaid lease payments		**48,151**	34,274
Premium on prepaid lease payments		**28,744**	3,678
Trade and other receivables	*10*	**4,604,211**	4,604,047
Amounts due from customers for contract works		**73,627**	88,937
Tax recoverable		**96,458**	107,594
Amounts due from non-controlling shareholders of the subsidiaries		**82,330**	–
Amounts due from joint ventures		**355,775**	180,258
Amounts due from related parties		**233,726**	184,782
Financial assets designated as at fair value through profit or loss ("FVTPL")		**127,275**	19,200
Restricted/pledged bank deposits		**1,997,824**	1,336,482
Bank balances and cash		**9,136,526**	2,881,511
		32,213,040	31,242,411

	NOTE	2016 RMB'000	2015 RMB'000
CURRENT LIABILITIES			
Trade and other payables	11	**4,445,008**	6,626,928
Deposits received for sale of properties		**2,817,149**	5,555,880
Amounts due to customers for contract works		**16,746**	17,141
Amount due to a non-controlling shareholder of the company		**310,438**	390,199
Amounts due to joint ventures		**294,157**	1,033,916
Amounts due to associates		**1,061,338**	–
Tax liabilities		**4,151,634**	3,626,109
Borrowings – due within one year		**929,458**	1,407,598
Obligations under finance leases		**23,610**	22,101
Senior notes and bonds		**1,575,183**	1,004,105
Assets backed securities issued		**37,642**	–
Defined benefit obligations		**5,171**	–
Provisions		**37,154**	–
		15,704,688	19,683,977
NET CURRENT ASSETS		**16,508,352**	11,558,434
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,047,575**	24,867,311
NON–CURRENT LIABILITIES			
Amount due to a non-controlling shareholder of the company		**–**	329,721
Deferred tax liabilities		**1,236,629**	1,071,358
Borrowings – due after one year		**2,438,008**	2,556,814
Obligations under finance leases		**88,538**	104,979
Senior notes and bonds		**16,804,442**	8,531,147
Assets backed securities issued		**237,442**	–
Defined benefit obligations		**121,781**	–
Provisions		**–**	33,255
		20,926,840	12,627,274
NET ASSETS		**13,120,735**	12,240,037
CAPITAL AND RESERVES			
Share capital		**497,848**	497,797
Reserves		**10,457,503**	9,910,694
Equity attributable to owners of the Company		**10,955,351**	10,408,491
Perpetual capital instrument		**–**	710,500
Other non-controlling interests		**2,165,384**	1,121,046
Total non-controlling interests		**2,165,384**	1,831,546
		13,120,735	12,240,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is a limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

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

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

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

Amendments to HKAS 1 "Disclosure Initiative"

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

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

The Group has applied these amendments retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, notes of capital risk and financial instruments were reordered. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

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

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

HKFRS 9 "*Financial Instruments*"

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

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated as cost less impairment will either be measured at fair value through profit or loss ("FVTPL") or be designated at FVTOCI. In addition, the expected credit loss model may result in early provision of credit loss which are not yet incurred in relation of the Group's financial assets measured at amortised cost.

HKFRS 15 "*Revenue from contracts with Customer*"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *"Leases"*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of RMB636,565,000. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendments to HKAS 7 *"Disclosure Initiative"*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company anticipate that the application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except for the above impact, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have significant impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of properties	**8,365,954**	6,562,066
Rental income	**241,778**	182,886
Property agency services	**26,770**	24,476
Property operation services	**1,652,123**	1,270,014
Hotel operations	**113,867**	121,620
Others	**520,146**	3,235
	10,920,638	8,164,297

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby management has chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the operating and reportable segments of the Group.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the measure of total liabilities for each operating segment is therefore not presented.

The Group has six reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the People's Republic of China ("PRC")
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security system and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services
Others	–	provision of travel agency services, manufacturing and sale of fuel pumps

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, net exchange loss, change in fair value of financial assets designated as at FVTPL, share-based payment expenses, finance costs, share of results of associates and joint ventures, gains on disposal of subsidiaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale ("AFS") investments, amounts due from non-controlling shareholders of the subsidiaries, joint ventures and related parties, financial assets designated as at FVTPL, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2016

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
External revenues	8,365,954	241,778	26,770	1,652,123	113,867	520,146	10,920,638
Inter-segment revenues	17,833	–	–	115,969	–	–	133,802
Segment results	2,657,688	582,346	10,637	405,096	(5,112)	(44,781)	3,605,874
Segment assets	22,327,069	7,217,642	10,859	2,911,791	1,078,297	2,128,935	35,674,593
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(note)*	1,201,428	300,730	113	307,133	19,158	1,643,796	3,472,358
Change in fair value of investment properties	–	405,076	–	–	–	–	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	478,005	–	–	–	–	–	478,005
Release of prepaid lease payments	12,514	–	–	–	1,973	–	14,487
Release of premium on prepaid lease payments	17,874	–	–	–	–	–	17,874
Amortisation of intangible assets	–	–	–	23,107	–	3,497	26,604
Depreciation of property, plant and equipment	49,216	1,128	1,941	41,935	35,454	39,839	169,513
Loss on disposal of property, plant and equipment	–	–	–	4,364	–	–	4,364
Allowance on bad and doubtful debts, net	–	11,771	–	29,000	–	–	40,771

Inter-segment revenues are charged at prevailing market rate.

For 31 December 2015

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
External revenues	6,562,066	182,886	24,476	1,270,014	121,620	3,235	8,164,297
Inter-segment revenues	16,979	–	–	107,361	–	–	124,340
Segment results	1,420,638	829,649	22,148	381,102	(9,270)	289	2,644,556
Segment assets	28,569,770	6,985,732	14,890	1,827,971	1,252,412	285,500	38,936,275
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(note)*	99,563	932,377	–	805,352	237,356	364,117	2,438,765
Change in fair value of investment properties	–	713,887	–	–	–	–	713,887
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	175,922	–	–	–	–	–	175,922
Release of prepaid lease payments	13,879	–	–	–	1,973	–	15,852
Release of premium on prepaid lease payments	3,678	–	–	–	–	–	3,678
Amortisation of intangible assets	–	–	–	13,004	–	–	13,004
Depreciation of property, plant and equipment	36,887	4,185	155	28,764	55,759	–	125,750
Loss (gain) on disposal of property, plant and equipment	(286)	–	–	604	(487)	–	(169)
Allowance on bad and doubtful debts, net	14,877	–	–	29,627	–	–	44,504

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets exclude interests in associates and joint ventures, AFS investments, deposits paid for acquisition of land use rights, subsidiaries and a property project, other receivables and deferred tax assets.

Reconciliation:

	2016	2015
	RMB'000	*RMB'000*
Revenue:		
Total revenue for operating and reportable segments	**11,054,440**	8,288,637
Elimination of inter-segment revenues	**(133,802)**	(124,340)
Group's total revenue	**10,920,638**	8,164,297
Total segment results	**3,605,874**	2,644,556
Elimination of inter-segment results	**(32,020)**	(20,720)
Unallocated amounts:		
Interest income	**33,260**	30,127
Net exchange loss	**(665,820)**	(233,559)
Change in fair value of financial assets designated as at FVTPL	**2,828**	442
Share-based payment expenses	**(81,955)**	(90,923)
Finance costs	**(932,238)**	(302,340)
Share of results of associates	**(2,528)**	626
Share of results of joint ventures	**48,504**	(7,324)
Gains on disposal of subsidiaries	**640,080**	790,039
Other unallocated expenses	**(109,821)**	(89,566)
Profit before tax	**2,506,164**	2,721,358

	2016	2015
	RMB'000	*RMB'000*
Assets:		
Total assets for operating and reportable segments	**35,674,593**	38,936,275
Unallocated assets:		
Interests in associates	**735,336**	6,789
Interests in joint ventures	**951,667**	410,044
AFS investments	**30,215**	–
Amounts due from non-controlling shareholders of the subsidiaries	**82,330**	-
Amounts due from joint ventures	**355,775**	180,258
Amounts due from related parties	**233,726**	184,782
Financial assets designated as at FVTPL	**127,275**	19,200
Restricted/pledged bank deposits	**1,997,824**	1,336,482
Bank balances and cash	**9,136,526**	2,881,511
Other unallocated corporate assets	**426,996**	595,947
Group's total assets	**49,752,263**	44,551,288

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2016 and 2015, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

	2016	2015
	RMB'000	*RMB'000*
Additions to non-current assets		
Reportable segment total	**3,472,358**	2,438,765
Unallocated amount	**7,690**	6,747
Group's total	**3,480,048**	2,445,512
Other material item:		
Depreciation of property, plant and equipment		
Reportable segment total	**169,513**	125,750
Unallocated amount	**4,589**	4,463
Group's total	**174,102**	130,213

4. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Interest income	**33,260**	30,127
Investment income from land development	**5,787**	67,239
Change in fair value of financial assets designated as at FVTPL	**2,828**	442
Unconditional government grants	**10,978**	10,223
Net exchange loss	**(665,820)**	(233,559)
Others	**27,795**	17,168
	(585,172)	(108,360)

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on:		
– bank and other borrowings	**399,414**	383,066
– senior notes and bonds	**1,364,974**	887,481
– finance leases	**14,488**	4,447
– amount due to a non-controlling shareholder of the Company	**17,996**	48,581
– assets backed securities issued	**6,863**	–
Other finance costs	**31,834**	–
	1,835,569	1,323,575
Less: Amount capitalised in properties under development for sale	**(896,985)**	(812,774)
Amount capitalised in investment properties under construction	**(6,346)**	(186,155)
Amount capitalised in construction in progress	**–**	(22,306)
	932,238	302,340

During the year ended 31 December 2016, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 9.6% per annum (2015: 13.8% per annum) to expenditures on qualifying assets.

6. PROFIT BEFORE TAX

	2016	2015
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**16,962**	16,748
Other staff's salaries and allowances	**913,293**	443,896
Defined benefit scheme costs	**3,736**	–
Retirement benefit scheme contributions	**130,091**	76,998
Share-based payments	**81,955**	90,923
Total staff costs	**1,146,037**	628,565
Less: Amount capitalised in properties under development for sale	**(194,356)**	(206,042)
	951,681	422,523
Auditor's remuneration	**4,700**	5,966
Release of prepaid lease payments	**14,487**	15,852
Release of premium on prepaid lease payments	**17,874**	3,678
Depreciation of property, plant and equipment	**174,102**	130,213
Amortisation of intangible assets (included in administrative expenses)	**26,604**	13,004
Loss (gain) on disposal of property, plant and equipment	**4,364**	(169)
Allowance on bad and doubtful debts, net	**40,771**	44,504
Cost of properties sold recognised as an expense	**5,951,592**	4,726,772
Gross rental income from investment properties	**(241,778)**	(182,886)
Less: Direct operating expenses from investment properties that generated rental income	**15,121**	11,722
	(226,657)	(171,164)
Rental expenses in respect of rented premises under operating leases	**47,222**	21,088

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax in the PRC		
PRC enterprise income tax ("EIT")	**848,061**	732,318
Land appreciation tax ("LAT")	**694,351**	342,468
	1,542,412	1,074,786
Deferred tax		
(Credit)/charge to profit and loss	**(100,596)**	243,756
	1,441,816	1,318,542

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 Final – HK5.00 cents		
(2015: 2014 final dividend HK5.39 cents) per share	**255,793**	245,012

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2016 of HK5.00 cents, equivalent to RMB4.47 cents (2015: final dividend in respect of year ended 31 December 2015 of HK5.00 cents, equivalent to RMB4.19 cents) per share amounting to approximately RMB257,699,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

9. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**805,736**	1,210,610
Effect of dilutive potential ordinary shares:		
Share options of a subsidiary	**–**	(40)
Earnings for the purpose of diluted earnings per share	**805,736**	1,210,570
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,761,656,613**	5,759,214,304
Effect of dilutive potential ordinary shares:		
Share options	**15,015,200**	4,122,311
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,776,671,813**	5,763,336,615

Those share options granted by the Company and Colour Life Services Group Co., Lmited ("Colour Life") (a non-wholly owned subsidiary of the Company) have no impact on the computation of diluted earnings per share for the year ended 31 December 2016 where the exercise price of the share options was higher than the average market price of the Colour Life's share, and the computation of diluted earnings per share for the years ended 31 December 2016 and 2015 does not take into account the effect of the share options granted by Morning Star Group Limited (a wholly owned subsidiary of the Company) as its impact is anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

Trade receivables mainly represented receivables amounting to RMB1,025,932,000 (2015: RMB943,141,000) from sales of properties, amounting to RMB350,878,000 (2015: RMB226,115,000) from property operation services, and amounting to RMB343,523,000 (2015: RMB147,895,000) from other segments.

Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Hotel operation and travel agency service income are in form of cash sales.

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,720,333**	1,317,151
Other receivables	**365,754**	362,730
Loan receivables	**338,708**	–
Prepayments and other deposits	**199,897**	186,946
Prepayments to suppliers	**212,178**	165,829
Prepayments for construction work	**1,209,992**	1,029,565
Consideration receivables on disposal of subsidiaries	**25,500**	761,000
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control	**332,500**	–
Amount due from Pixian Government	**122,830**	512,830
Amount due from Chengdu Government	**5,061**	419,274
Other tax prepayments *(note)*	**315,496**	225,563
	4,848,249	4,980,888
Less: Amount shown under non-current assets	**(244,038)**	(376,841)
Amounts shown under current assets	**4,604,211**	4,604,047

Note: As at 31 December 2016, the balance mainly represented business tax and value-added tax amounting to RMB301,988,000 (2015: RMB218,691,000) in accordance with relevant PRC tax rules in respect of its pre-sale of property development projects which has been prepaid and included in other tax prepayments.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the date of delivery of the properties to the customers at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**856,306**	889,136
31 to 90 days	**593,460**	147,875
91 to 180 days	**105,115**	118,624
181 to 365 days	**91,121**	84,137
Over 1 year	**74,331**	77,379
	1,720,333	1,317,151

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**2,487,201**	4,530,755
Deposit received *(note)*	**537,172**	587,197
Other payables	**612,175**	901,313
Other tax payables	**323,933**	188,376
Accrued staff costs	**254,203**	215,566
Consideration payables for acquisition of subsidiaries	**169,383**	138,127
Accruals	**53,813**	58,360
Retention payables	**7,128**	7,234
	4,445,008	6,626,928

Note: The balance of deposits received amounting to RMB537,172,000 (2015: RMB587,197,000) mainly represent the earnest money received from potential property buyers.

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials ranged from six months to one year.

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
0 to 60 days	**1,194,063**	2,012,493
61 to 180 days	**416,973**	771,978
181 to 365 days	**458,649**	1,088,540
1–2 years	**324,000**	575,877
2–3 years	**96,064**	85,096
Over 3 years	**4,580**	4,005
	2,494,329	4,537,989

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

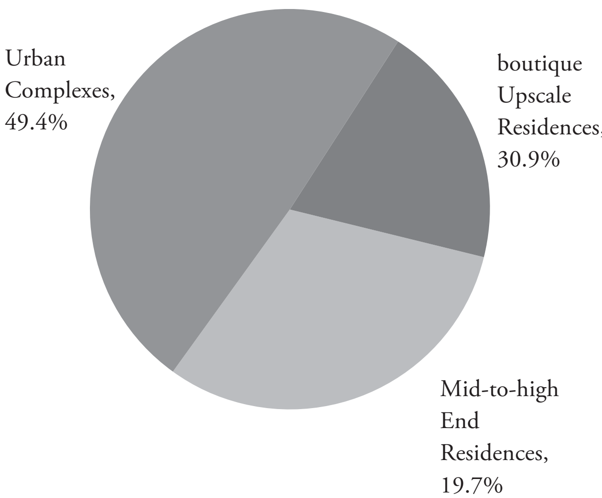
Contracted Sales and Project Development

In 2016, the policy environment of the property market went through a process of going from relaxation to continued clamping down at the major cities. Amid rapidly escalating property prices and land premium at the major cities, policies became obviously more polarised. On one hand, the control/adjustment policies further tightened, restriction on property buying/lending and various monitoring and control measures were launched, so as to curb the speculative investment demands and prevent market risks; as a result, the market at the major 1st and 2nd tier cities cooled off rapidly. On the other hand, destocking was the main theme at the 3rd and 4th tier cities which endeavoured to improve market environment through adjusting both the supply and demand; the control and adjustment measures were relatively mild. Meanwhile the central government strengthened the construction of the long term mechanism of the property market, the integration of different regions and kept promoting modern urbanisation. All these measures provided a favourable environment for the long term development of the industry.

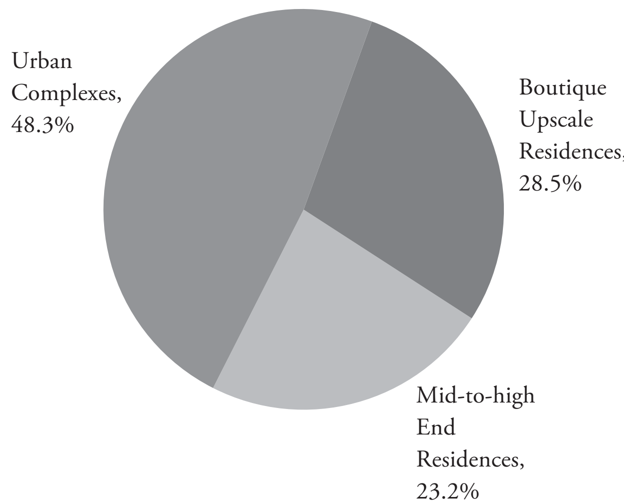
Following overall market changes, the Group grabbed the window period of the market for its real estate sector throughout the year. During the first half of the year, the Group spared no effort in boosting the sales of the bestselling products which generated a rapid cash inflow while taking into account of the selling price so as to ensure the capital need for the rapid growth of the enterprise. Meanwhile during the second half of the year, the Group took advantage of the favourable policies to push up the sales volume and during policy adjustment in October, the company seized the opportunities to create a sales breakthrough in the residential as well as commercial property markets and proactively sought opportunities to promote the sales of the relatively slow-moving products so as to further optimise the inventory structure of the Group.

During the Period, the Group recorded contracted sales of RMB12,206.22 million and contracted sales area of 1,325,320 sq.m.. Among the total contracted sales, RMB6,028.45 million was derived from urban complexes projects, representing approximately 49.4% of the Group's total contracted sales; RMB3,774.31 million was derived from boutique upscale residences projects, representing approximately 30.9% of the Group's total contracted sales; and RMB2,403.46 million was derived from mid-to-high end residences projects, representing approximately 19.7% of the Group's total contracted sales.

The proportion of contracted sales attributable to different categories of products



The proportion of contracted sales area attributable to different categories of products

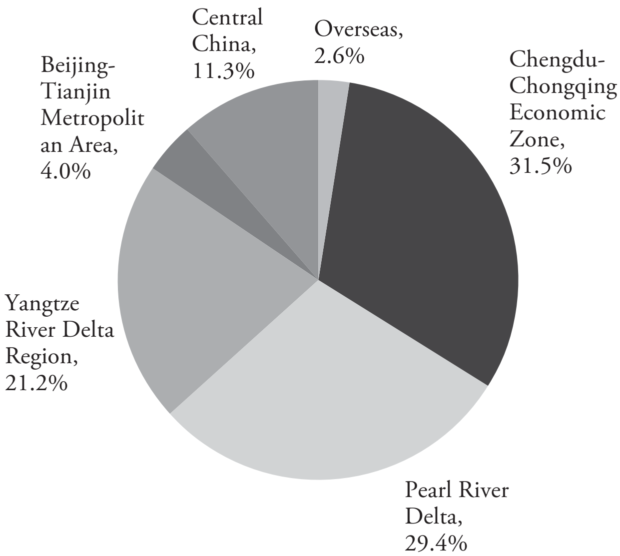


The proportion of contracted sales and contracted sales area attributable to different categories of products for the year 2016

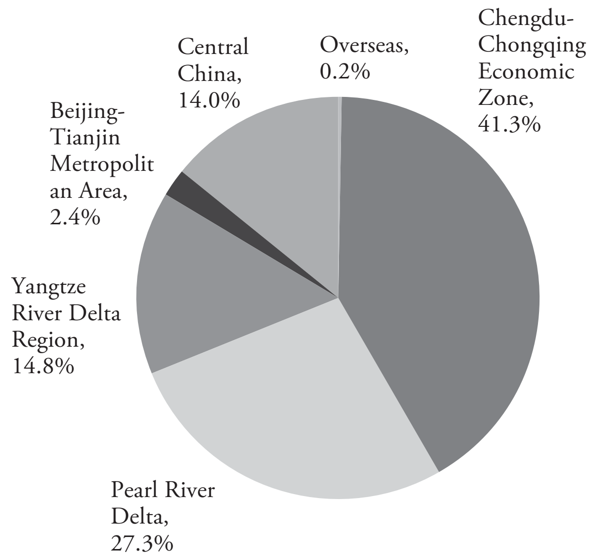
	Amount		**Area**	
	(RMB million)	*%*	*(sq.m.)*	*%*
Urban Complexes	6,028.45	49.4	640,263	48.3
Mid-to-high End Residences	2,403.46	19.7	307,528	23.2
Boutique Upscale Residences	3,774.31	30.9	377,529	28.5
Total	**12,206.22**	**100.0**	**1,325,320**	**100.0**

During the Period, the contracted sales contribution to the Group's real estate business were mainly derived from 13 cities, including Wuhan, Chengdu, Guilin, Huizhou and Suzhou, and 37 projects, including Wuhan Fantasia Town, Suzhou Lago, Tianjin Meinian, Chengdu Longnian International Center, Guilin Lakeside Eden and Huizhou Kangchengsiji. As compared to last year, the Group used Wuhan city as a center for the Central China market, Chengdu city as a center for the Chengdu-Chongqing market, Shenzhen city as a center for the Pearl River Delta market and Shanghai city as a center for the Yangtze River Delta market, and earned good reputation and impact in the local markets. These cities became the key players that contributed to the fulfillment of our target this year. In addition, the Group started trial runs in light assets businesses as well as businesses in the sixth-tier of the real estate sector, and leveraged on the companies' resources and teams in Wuhan and nearby areas such as Jiangyin, Kunming, Huizhou and Jingchuan County in Gansu to boost its business volume.

The contracted sales value distribution in the six major regions in 2016



The contracted sales area distribution in the six major regions in 2016



The breakdown of the Group's contracted sales in the six major regions in 2016

	Amount		Area	
	(RMB million)	*%*	*(sq.m.)*	*%*
Chengdu-Chongqing Economic Zone	3,843.74	31.5	547,173	41.3
Pearl River Delta	3,593.18	29.4	361,786	27.3
Yangtze River Delta Region	2,591.83	21.2	196,768	14.8
Beijing-Tianjin Metropolitan Area	487.73	4.0	31,804	2.4
Central China	1,376.43	11.3	184,973	14.0
Overseas	313.31	2.6	2,816	0.2
Total	**12,206.22**	**100**	**1,325,320**	**100**

Chengdu-Chongqing Economic Zone

With its natural endowment, the Chengdu-Chongqing Economic Zone has a relatively good industrial base, a towns-and-cities cluster, a complete and comprehensive transportation system and abundant human resources. It is an important region in China where populations, cities and towns, and industries gather together, and plays a strategic role in the social and economic development of China. The Group entered the Chengdu market in early 2001. After over 16 years of relentless brand building, the Group has become one of the most powerful property developers in Chengdu. In 2016, the sales target in the region exceeded our target and achieved a leading performance in the local market, establishing a good model as well as brand's reputation. Meanwhile, the Group continued to consolidate and proactively explored and developed projects in the region and acquired several parcels of land reserves in order to promote the Group's rapid development in the region.

During the Period, the Group recorded contracted sales area of approximately 547,173 sq.m. in the Chengdu-Chongqing Economic Zone and contracted sales of approximately RMB3,843.74 million, attributing to 41.3% and 31.5% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 31 December 2016, the Group had three projects or phases of projects under construction in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 276,329 sq.m. and a saleable area of approximately 223,709 sq.m.. Apart from the projects under construction, the Group also had five projects or phases of projects to be developed in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area ("GFA") of approximately 2,337,571 sq.m..

Pearl River Delta Region

The Pearl River Delta Region has always been one of the most important drivers for economic growth in China. It is an experimental zone for exploring scientific development model, a pioneer for trying out deepening reforms, an outer national threshold for opening up the mainland market, the base of advanced global manufacturing and modern services, and the important economic center of China. It is also the birth place of the Group in China. The Group has been accelerating the development of its businesses in Shenzhen, Guangzhou, Huizhou and Guilin markets. We set a market benchmark in the region while we earned excellent reputations and recognitions from our clients, and establish a solid foundation for the Group in the region. With regard to business development, we also constantly strengthen our businesses land reserves and launch new projects in the Guangzhou-Shenzhen area.

During the Period, the Group recorded contracted sales area of approximately 361,786 sq.m. in the Pearl River Delta Region and contracted sales of approximately RMB3,593.18 million, attributing to 27.3% and 29.4% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 31 December 2016, the Group had two projects or phases of projects under construction in the Pearl River Delta Region, with a total planned GFA of approximately 835,122 sq.m. and an estimated saleable area of approximately 604,769 sq.m.. The Group also had five projects or phases of projects to be developed in the Pearl River Delta Region, with a total planned GFA of approximately 1,892,688 sq.m..

Beijing-Tianjin Metropolitan Area

The Beijing-Tianjin Metropolitan Area has the largest economic scale and is the most vital area in Northern China. It is the core of the Capital Economic Circle and the hinterland of Bohai Economic Rim Region, enjoying a prominent strategic position. This area, being a national political, economic and cultural center, has always been one of the most attractive areas in China. During the Period, the Group accelerated the development of its existing projects in the area and, on top of this, actively expanded industrial projects and new cooperation projects to further expand its influence in the area.

During the Period, the Group recorded contracted sales area of approximately 31,804 sq.m. and contracted sales of approximately RMB487.73 million in the Beijing-Tianjin Metropolitan Area, attributing to 2.4% and 4.0% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 31 December 2016, the Group had two projects or phases of projects under construction in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 19,158 sq.m. and an estimated saleable area of approximately 12,927 sq.m.. The Group also had four projects or phases of projects to be developed in the Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 711,947 sq.m..

Yangtze River Delta Region

The Yangtze River Delta Region is the economic center designated by the central government which enjoys the strongest comprehensive strength in China. It is also the region which is the main international threshold in Asia-Pacific region, the world's most important and advanced manufacturing base and the first region in China that ranks itself among the world-class metropolitan cluster. The Group paid continuous attention to its current projects as well as the key cities that have high growth potential within the region. During the Period, Suzhou Fantasia Special Town Project, the Group's housing industrialization project, was successfully delivered. Besides, the Group also adopted the "One City, One Strategy" approach in Shanghai to prepare for and develop the high-end exquisite projects in the key cities to further enhance the Group's negotiation power and competiveness in high-end projects and markets as well as the brand value.

During the Period, the Group recorded contracted sales area of 196,768 sq.m. and contracted sales of approximately RMB2,591.83 million in the Yangtze River Delta Region, attributing to 14.8% and 21.2% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 31 December 2016, the Group had four projects or phases of projects under construction in the Yangtze River Delta Region, with a total planned GFA of approximately 546,010 sq.m. and an estimated saleable area of approximately 339,662 sq.m.. The Group also had one project or phase of project to be developed in the Yangtze River Delta Region, with a total planned GFA of approximately 73,185 sq.m..

Central China

Central China with a profound historical and cultural background, has a solid foundation of heavy and light industries, convenient land and waterborne transport networks and abundant resources, Central China plays an important role in linking the eastern, southern, western and northern parts of China and hence is of strategic significance. In respect of property business, key cities in Central China become the primary focus of the real estate enterprises as they possess great development potential. During the Period, the Group constantly promoted the development of existing projects to further strengthen its influence in the region and achieved its professional impact and negotiation power in various market segments. While consolidating and planning for long term development within the region, the Group also explore the businesses in key cities, such as Wuhan, Zhengshou, Changsha, Xi'an and the peripheral areas, as well as light assets transformation and build up a bigger and stronger team.

During the Period, the Group recorded contracted sales area of 184,973 sq.m. and contracted sales of approximately RMB1,376.43 million in Central China, attributing to 14.0% and 11.3% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 31 December 2016, the Group had two projects or phases of projects under construction in Wuhan, with a total planned GFA of approximately 108,030 sq.m. and an estimated saleable area of approximately 87,943 sq.m..

Overseas

Singapore is a well-developed capitalistic country in Asia and is also known as one of the Four Asian Tigers, as well as the world's fourth largest international financial center. Singapore is also the key financial, services and shipping center in Asia. The Group continued to strengthen the influence of its existing project in the area and was highly regarded by its peers as well as clients, enhancing its branding effect whilst continued to consolidate in the market and seek new business growth. Besides, the Group has conducted business studies and researches in the U.S. market and achieved certain positive results.

During the Period, the Group recorded contracted sales area of 2,816 sq.m. and contracted sales of approximately RMB313.31 million in the overseas market, attributing to 0.2% and 2.6% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

Newly Commenced Projects

During the Period, the Group commenced development of seven projects or phases of projects with a total planned GFA of approximately 505,026 sq.m..

The breakdown of newly commenced projects in 2016

Project-serial number	Project name	Project location	Nature of land	Expected completion date	Company's interest	GFA *(sq.m.)*
Yangtze River Delta Region						
1	Phase 2 of Nanjing Hailrun Plaza	Central North Road, Gulou District, Nanjing City	Commercial land use	2018	60%	3,429
2	Shanghai Aidu Apartment	Hongqiao Road, Changning District, Shanghai	Residential land use	2016	100%	4,391
3	Wuxi Love Forever Land Plot A	New District, Wuxi City	Residential and commercial purposes	2017	100%	4,428
Chengdu-Chongqing Economic Zone						
1	Grand Valley	Pujiang County, Chengdu City	Residential land use	2018	100%	56,552
2	Longnian Building Pi County Land Plot No. 3	Pi County, Chengdu City	Residential and commercial purposes	2018	100%	141,504
Pearl River Delta						
1	Phase 4 of Huizhou Kangchengsiji	Hui Nan Road, Huizhou City	Residential and commercial purposes	2018	100%	146,318
2	Block E of Guilin Lakeside Spring Dawn	Lingui New District, Guilin City	Residential and commercial purposes	2019	100%	148,404

Completed Projects

During the Period, the Group completed 17 projects or phases of projects, with a total GFA of approximately 1,254,121 sq.m..

The breakdown of completed projects in 2016

Project-serial number	Project name	GFA *(sq.m.)*	Gross saleable area *(sq.m.)*	Area for sales *(sq.m.)*	Contracted sales area *(sq.m.)*	Area held by the Company *(sq.m.)*
Yangtze River Delta Region						
1	Suzhou Hailrun Complex	96,641	96,165	13,572	82,592	–
2	Suzhou Lago Paradise	19,693	13,008	269	12,739	–
3	Nanjing Hailrun Plaza	22,753	22,293	6,741	15,552	–
4	Wuhan Fantasia Town	78,830	78,654	–	78,645	–
5	Wuhan Love Forever	68,458	56,886	17,886	39,000	–
6	Shanghai Quyuan	4,391	4,047	248	3,799	–
Pearl River Delta						
1	Huizhou Kangchengsiji	87,898	80,673	–	80,672	–
2	Shenzhen Anbo	85,428	65,109	65,109	–	–
3	Shenzhen Lenian Plaza	127,444	86,344	9,190.16	35,810	41,344
4	Guangzhou Jiang Shan Shu Kindergarten	4,270	4,270	–	0	4,270
5	Guilin Fantasia Town	72,345	68,693	2,107	66,586	–
6	Guilin Lakeside	212,644	254,636	44,260	210,375	–
Chengdu-Chongqing Economic Zone						
1	Longnian International Center	171,804	114,619	12,166	102,453	–
2	Four Points by Sheraton of Grande Valley	33,384	33,384	–	–	33,384
Beijing-Tianjin Metropolitan Area						
1	Love Forever	45,316	43,445	–	43,445	–
2	Meinian International Plaza	99,920	68,444	9,392	59,052	–
Overseas						
1	Derbyshire, Singapore	22,904	11,551	6,134	5,417	–
Total		**1,254,121**	**1,033,518**	**184,968**	**769,552**	**78,998**

Projects Under Construction

As at 31 December 2016, the Group had 13 projects or phases of projects under construction, with a total planned GFA of 1,784,649 sq.m. and a total planned gross saleable area of 1,269,011 sq.m.

The breakdown of projects under construction as at 31 December 2016

Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA *(sq.m.)*	Gross saleable area *(sq.m.)*	Product Category
Huizhou								
1	Huizhou Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial purposes	100%	2018	579,823	265,266	Boutique Upscale Residences
Guilin								
1	Guilin Lakeside	Lingui New District, Guilin City	Residential and commercial purposes	100%	2018	465,675	339,503	Boutique Upscale Residences
Chengdu								
1	Phase 1.2 and 1.3 of Longnian International Center	Pi County, Chengdu City	Residential and commercial purposes	100%	To be confirmed	74,776	56,592	Urban Complexes
2	Longnian Building Pi County Land Plot No. 3	Pi County, Chengdu City	Residential and commercial purposes	100%	2018	141,504	123,451	Urban Complexes
3	Grande Valley	Pujiang County, Chengdu City	Residential and commercial purpose	100%	2018	198,056	163,620	Boutique Upscale Residences
Tianjin								
1	Ancillaries of Phase 1.3 of Love Forever	Wuqing District, Tianjin City	Residential land use	100%	2017	2,679	2,679	Mid-to-high End Residences
2	Phase 1 of Huaxiang	Wuqing District, Tianjin City	Residential land use	100%	2017	16,479	10,248	Boutique Upscale Residences
Suzhou								
1	Suzhou Lago Paradise Land Plot No. 3	Taihu National Tourism Vacation Zone, Suzhou City	Residential purpose	100%	2017	10,700	10,124	Boutique Upscale Residences
2	Hailrun Plaza	Binhe Road West, Shangxin District, Suzhou City	Residential and commercial purposes	100%	2017	233,949	124,497	Urban Complexes

Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA *(sq.m.)*	Gross saleable area *(sq.m.)*	Product Category
Wuxi								
1	Wuxi Love Forever Land Plot A	New District, Wuxi City	Residential and commercial purposes	100%	2017	4,428	4,205	Urban Complexes
Nanjing								
1	Hailrun Plaza (excluding Building B1/B2#)	Central North Road, Gulou District, Nanjing City	Commercial land use	60%	2017	296,933	200,836	Urban Complexes
Wuhan								
1	Phase 2 of Wuhan Fantasia Town	Jinyin Lake Ecological Commercial Town, Dongxihu District, Wuhan City	Residential purpose	100%	2017	108,030	87,943	Mid-to-high End Residences
Total						**1,784,649**	**1,269,011**	

Projects Held for Development

As at 31 December 2016, the Group had 16 projects or phases of projects held for development, with a total planned GFA of approximately 5,215,391 sq.m..

The following table sets out a breakdown of the Group's projects or phases of projects held for development in the six major regions as at 31 December 2016.

	Sq.m.	*%*
Pearl River Delta	1,892,688	36.3
Chengdu-Chongqing Economic Zone	2,337,571	44.8
Yangtze River Delta Region	73,185	1.4
Beijing-Tianjin Metropolitan Area	711,947	13.7
Central China	200,000	3.8
Total	**5,215,391**	**100**

The breakdown of projects held for development as at 31 December 2016

Project-serial number	Project name	Project location	Nature of land	Company's interest	GFA (sq.m.)
Shenzhen					
1	Xinghua Industrial Project	Shekou District, Shenzhen City	Industrial land use	61%	40,000
2	Jiatianxia Project	Kuichong, Shenzhen City	Residential and commercial purposes	10%	251,018
Subtotal					**291,018**
Huizhou					
1	Remaining phases of Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial purposes	100%	246,402
2	Qiuchang Project	Danshui Town, Huiyang District, Huizhou City	Residential purpose	100%	184,996
Subtotal					**431,398**
Suzhou					
1	Haoge Land Plot	Taihu National Tourism Vacation Zone, Suzhou City	Residential and commercial purposes	5%	73,185
Subtotal					**73,185**
Guilin					
1	Remaining phases of Guilin Lakeside Eden Community	Lingui New District, Guilin City	Residential and commercial purposes	100%	1,170,272
Subtotal					**1,170,272**

Project-serial number	Project name	Project location	Nature of land	Company's interest	GFA
					(sq.m.)
Chengdu					
1	Remaining phases of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary purposes	100%	397,204
2	Remaining phases of Grande Valley	Pujiang County, Chengdu City	Residential and commercial purposes	100%	667,737
3	Pi County Library Land Plot	Pi County, Chengdu City	Residential and commercial purposes	100%	490,000
4	Chengdu Shuangliu Hanfeng Project	Shuangliu District, Chengdu City	Commercial and residential purposes	91%	700,000
5	Phase 2.3 of Longnian International Center	Pi County, Chengdu City	Residential and commercial purposes	100%	82,630
Subtotal					**2,337,571**
Beijing					
1	Yaxinke Project	Qingnian Road, Beijing	Residential purpose	60%	268,174
Subtotal					**268,174**
Tianjin					
1	Remaining phases of Love Forever	Wuqing District, Tianjin City	Residential purpose	100%	37,107
2	Remaining phases of Huaxiang	Wuqing District, Tianjin City	Residential purpose	100%	238,327
3	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial and tourism purposes	100%	168,339
Subtotal					**443,773**
Wuhan					
1	Phase I of Jinxiu City Project	Hongshan District, Wuhan City	Residential and commercial purposes	50%	200,000
Subtotal					**200,000**
Total					**5,215,391**

The Group's Land Bank

During the reporting period, the Group continued to adhere to its prudent investment strategy and its development direction of acquiring land in first-tier cities, such as Beijing, Shenzhen, Wuhan and Chengdu which enjoy strong market potential and are capable of delivering rich returns. As at 31 December 2016, the planned GFA of the Group's land bank amounted to approximately 15.38 million sq.m. and the planned GFA of properties with framework agreements signed amounted to 7.98 million sq.m..

Region	Projects under construction *(sq.m.)*	Projects to be developed *(sq.m.)*	Projects under framework agreements *(sq.m.)*	Aggregate planned GFA of landbank *(sq.m.)*	Proportion
Chengdu-Chongqing Economic Zone				**5,611,218**	**37.5%**
Chengdu	276,329	2,337,571	2,916,682	5,530,581	
Kunming	–	–	80,637	80,637	
Pearl River Delta				**6,938,993**	**46.3%**
Shenzhen	–	291,018	3,111,282	3,402,300	
Huizhou	369,447	431,398	1,099,900	1,900,745	
Guilin	465,675	1,170,272	–	1,635,947	
Beijing-Tianjin Metropolitan Area				**999,105**	**4.9%**
Beijing		268,174	–	536,174	
Tianjin	19,158	443,773		462,931	
Yangtze River Delta				**675,489**	**4.5%**
Suzhou	244,649	73,185	56,254	374,087	
Wuxi	54,428	–	–	4,428	
Nanjing	296,933	–	–	296,933	
Central China				**1,019,445**	**6.8%**
Wuhan	108,030	200,000	711,415	1,019,445	
Total	**1,784,649**	**5,215,391**	**7,976,170**	**14,976,210**	**100%**

Colour Life Group

During the Period, the community services business of the Group maintained rapid growth. As at 31 December 2016, Colour Life, a subsidiary of the Group, had contracted management area of 395.1 million sq.m. serving a total of 2,339 communities. Currently, projects managed by Colour Life cover four first-tier cities, namely Beijing, Shenzhen, Shanghai and Guangzhou; and a total of 209 cities in China, including provincial capital cities, such as Tianjin, Shenyang, Harbin, Changchun, Shanghai, Hangzhou, Nanjing, Xi'an, Yinchuan, Taiyuan, Guiyang, Changsha, Wuhan, Zhengzhou, Guangzhou, Nanchang, Chengdu, Nanning, Haikou and Chongqing; cities in the Yangtze River Delta, such as Suzhou, Wuxi and Yangzhou; and cities in the Pearl River Delta, such as Foshan, Zhuhai, Zhongshan, Huizhou and Zhanjiang, as well as in Singapore, initially forming a regional layout covering regions such as Eastern China, Southern China, Northwest China, Southwest China, Northeast China, Northern China, Central China, Singapore and Hong Kong. Currently, Colour Life has become a large-scale community service group, comprising 24 corporations with the certificate of National Class 1 Aptitude on Property Management and 46 corporations with the certificate of National Class 2 Aptitude on Property Management.

While the scale of business expands rapidly, Colour Life also focused on the enhancement of service quality. In 2016, the intelligent community model of Colour Life experienced the upgrade from version 3.0 to version 3.3 by adding the function of sweeping two-dimensional code to unlock door (二維碼掃碼開門功能) and the system of identifying car plate in the car park (停車場車牌識別系統). Besides, it has also developed the community neighbourhood sector (社區鄰里版塊) to provide residents with convenience in life. It has also strengthened the multiple entry points of the Caizhiyun APP. Moreover, the intelligent community version 3.3 is further enhanced in term of organization, professionalization and commercialization (including but not limited to E Payment, E Parking, E Elevator, E Safety, E Housekeeping, E Maintenance, E Rental and E Wealth Management) which further developed the community B2F ecosystem through various aspects such as users' requirement and efficient support. In 2016, the Colour Life Group has completed hardware upgrade and transformation for 624 communities (part of which are the second upgrade of the original upgraded communities), the total accumulated number of upgraded communities reached 1,227. Through continuous upgrade and transformation, the brand influence of Colour Life further strengthened. According to the 2016 China Top 100 Property Service Companies report published by the China Index Academy, among the ten leading enterprises in the category of top 100 property service enterprises with highest satisfaction, Colour Life ranked the sixth, same as 2015 and going up one rank as compared to 2014.

With regard to the online platform of Colour Life, as of 31 December 2016, registered users of Caizhiyun increased to 3.03 million, of which 1.74 million were active users, each representing an increase of 51.1% and 102.4% respectively as compared to the end of 2015, and keeping the degree of activeness at the level of 57.4%. Moving onto a fast track of restructuring and upgrading in 2016, the order per day for E Maintenance, a vertical application platform Colour Life operated jointly with a third party, exceeded 10,000. E energy, E Rental, E Parking and other business also gradually contributed income. These outstanding operating statistics showed that the construction of Colour Life ecosphere has yielded greater results. For the year 2016, the revenue of the value-added business of Colour Life amounted to RMB156.9 million, recording 48.1% year-on-year (YoY) growth and a high gross profit margin at 91.9%, attributable to 30.2% of Colour Life's profit and was the second large source of income and revenue, which marked the result of the transformation and upgrade of Colour Life became evident.

In particular, it is important to emphasize that "Two Colours", the two core products of Colour Life, made a breakthrough in 2016. As of 31 December 2016, the accumulated new investment amount of the year of "Colour Wealth Life Value-added Plan" amounted to RMB1,819.1 million. Meanwhile, Colour Life Residence changed the sales behavior of the property developers from one-off to the "Flats Plus Service" sales mode, which was implemented in 39 cities in China, such as Nanjing, Chengdu, Changsa, Wuhan, Xuzhou, Fuzhou, Wuxi and Huizhou. Colour Life Residence also entered in cooperation agreements with 27 developers, such as Anhui Goocoo Group (安徽國購集團) and Xi'an Ronghua Group (西安榮華集團). As of 31 December 2016, the accumulated completed sales of Colour Life Residence in the year were 4,513 units whilst the "meal coupons" returned to the purchasers from Colour Life Residence. Through group purchase of products and services, Colour Life realized the value of "meal coupons" whilst the linking of the commercial ecosphere of Colour Life by meal coupons further promoted and completed the ecosphere.

Along with the completion of the establishment of the fundamental technical ecological structure and the business ecology becoming matured, Colour Life starts to seek a lighter and faster growth with higher standard of quality. In the second half of 2016, Colour Life built new platforms and commenced strategic cooperation with different parties. On one hand, Colour Life, depending on the partner's requirements and relying on its own experience, helped its partner to achieve the enhancement of efficiency and quality of the basic services. On the other hand, through the support of fundamental technology, Colour Life achieved the complete launch of Caizhiyun platform and ecosphere, assisted its partners in saving research and development investment and shared the revenue from value-added services. In November 2016, Colour Life and Shanghai Yinwan Life Network Co., Ltd. (上海銀灣生活網絡股份有限公司) ("Yinwan Network") announced that they entered into strategic cooperation. Residents living in the area managed by Yinwan Network and its Silver Key Alliance (floor area of 367.5 million sq.m.) will be able to use the platforms and services of Colour Life gradually. As of 31 December 2016, the area of service platform of Colour Life reached 769.5 million sq.m., including area of 395.1 million sq.m. under its management and area of 374.4 million sq.m. under joint management. The continual increase in the area of the service platform will further promote the growth of the value-added business, and thus accelerate the overall transformation and upgrade of the Group.

Home E&E

The shares of the Group's Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團有限公司) ("Home E&E", and together with its subsidiaries the "Home E&E Group") were quoted in the New Third Board in December 2015. In June 2016, Home E&E, leveraging on its corporate profitability on the basis of its high quality property services, its innovative capacity on business model and solid financial performance, successfully achieved a new milestone of listing in NEEQ. In 2016, through its high-end service quality and the financial leverage strategies, Home E&E Group continued to deploy its capital to acquire small and medium property enterprises, among which, it assisted Fantasia Group to take over Wanda Property and became the management consultant of Wanxiangmei Property Management (萬象美物業管理) in August as well as acquired the equity in Aerospace Property (航天物業) and became its largest shareholder in December. The implementation of the new business model further improves the project layout throughout China, realising rapid growth in management scale and efficiency.

As at the end of 2016, projects under Home E&E management covered 38 cities in China, 16 branches were set up and the area under its management was 18.8 million sq.m., forming a strategic layout that covered the core regions of China.

Looking forward, through the implementation of property management and new business, the Company has applied the internet of things and internet technology into property management activities for practical use, and promoted the development of property management in a more professional, smart and automated direction to lower management costs and optimize client's experience, and provide higher standard of services to clients. All of such initiatives make Home E&E Group develop into China's leading commercial community services provider.

Financial Group

Community finance is the important driving force and core business sector in the Group's "Community Plus" strategy. Since the launching in 2013, relying on the Group's strong community service operating platform and making use of the innovative internet finance model, a new path way of development for the unique Fantasia "Community Plus Finance" was opened up through the provision of a variety of financial services such as internet financial platform, insurance brokerage, financial leasing, third party payment and factoring, with easy access in the community setting.

Qian Sheng Hua (錢生花), the online financial platform of the Community Financial Group, now covers the mainstream online channels such as PC based computer and app-based mobile phone channels. During the year, by adhering to the belief "to provide sophisticated community finance service", Qian Sheng Hua delved into the financial needs of community users and actively cooperated with monitoring requirements, whilst increased the intensity and frequency of the activities in each channel in both personal wealth management and corporate large-scale investments. Adhering to its foothold in the community and insisting on the strategy of opening up channels and platforms, Qian Sheng Hua provides all weather service to the property owners and launches the micro credit on O2O, an innovative community service platform, and strives to be one of the key elements in the community operational chain. In 2016, the number of registered users was 1.2 million and the entire invested amount was RMB2,914 million; the total revenue was RMB73.28 million and the net profit was RMB6.01 million for the year.

Zhong An Xin (中安信), an insurance broker, is currently in strategic cooperation with major insurance companies in China. In 2016, Zhong An Xin completed the integration with Community Financial Group's internal insurance business, covering the Fraudulent Use of Credit Card Insurance, Capital Account Security Insurance, and Customized Borrowers Accident Insurance. In 2017, the insurance broker will conduct in-depth research on the selling points of the products while promoting the comprehensiveness and diversity of the insurance products on the basis of the compliance of insurance products. Meanwhile, Zhong An Xin will promote the redevelopment of products to focus on the needs of the community family users and build insurance sales platform on the internet.

Heying Financial Leasing (合盈融資租賃) successfully built a business model of community leasing. Financial services have received stable leasing return through its penetration into the community while maintaining excellent assets quality amid the increased in overall market risks. During the year, the Group has successfully entered into the capital market through various partnerships, raising brand reputation further. In 2016, financial leasing successfully penetrated into the internal community leasing markets such as Colour Life and Jiefang District, devoting over RMB300 million contracted amount to intelligent facility projects including gateway and escalators.

Looking forward, the Group's community finance sector will continue to focus on the integration of online and offline ("O2O") service platforms of innovative community finance, and provide innovative, convenient, comprehensive and valuable financial services for customers, and endeavours to become the linkage of the community's family wealth management.

Business Management

Urban complex is one of the most important product categories offered by the real estate sector of the Group. Consolidating the experience accumulated over the past 18 years, the Group adheres to its mission to pursue innovative business model and diversified business offerings. In attaining its goal, Fantasia Business Management Company Limited, a wholly-owned subsidiary of the Group, successfully recruited many industry talents and actively participated in the operational planning, business solicitation as well as investment solicitation for certain large scale projects of the Group during the Period. Meanwhile, it also engaged in the provision of various services which are light assets in nature, such as agency service, consultation service as well as entrusted operation and management for commercial projects operated by external parties.

Nanjing OMG Mall, a project developed and operated by Fantasia Business Management Company Limited ("Fantasia Business Management"), which is a wholly-owned subsidiary of the Group, commenced operation on 28 September 2014 and has entered the maturity stage with an accumulated income of over RMB25 million in 2016, with an occupancy rate of over 90% while the profile of brands that have set up business kept optimising. Nanjing OMG Mall has become a renowned community business complex, providing entertainment, leisure, culture and lifestyle experience. Guilin OMG Mall, developed and operated by Fantasia Business Management, commenced operation on 19 June 2015, with an accumulated income of nearly RMB12 million in 2016, with an occupancy rate of over 80%. Guilin OMG Mall has attracted many famous brands from China and overseas, most of which are entering Guilin market for the first time. With plenty of shops offering a great variety of services and products, Guilin OMG Mall has become the flagship shopping center in Lingui New District, or even Guilin City. "Fantasia World Outlet" Project in Pi County, Chengdu commenced operation on 23 December 2016. Chengdu Hongtang and Suzhou Hongtang have fully secured intents of settling in with first and second tier brands. Preparation works of openings are well underway.

In 2016, Fantasia Business Management has proactively expanded its commercial light assets projects throughout China engaging various regions such as the East China, South China, Central China, North China and Southwest China, as the pivots to leverage the whole market in China, the management output over 30 business projects in accumulation, covering the provinces of Tibet, Jiangxi, Jilin, Jiangsu, Sichuan, Zhejiang, Guangdong, Hunan and Guizhou etc. "Yulongwan Commercial Square, Yangzhou, Jiangsu province" (江蘇揚州御龍灣商業廣場), a light assets operation project of Fantasia Business Management, commenced operations on 28 April 2016, with an occupancy rate of over 95%. Also, Lhasa Fantasia World Outlet (拉薩花樣世界奧特萊斯) project commenced operations on 20 August 2016, with an occupancy rate of over 70%. Meanwhile, the brand recognition of "OMG Mall", "Hongtang" and "Fantasia World Outlet" was further strengthened; commercial brands business and the granting of naming right have resulted in win-win situation for property owners and the management side. Following the development of light assets management business, Fantasia Business Management can provide better quality service to property owners throughout China, which will generate more fruitful returns.

The brand image and recognition of business projects operated by Fantasia have improved significantly and the Group has gained unique brand influence in the industry. Fantasia Business Management will continue to expand its scale of operation on business asset entrusted management and adopt the strategy of managing both light and heavy assets simultaneously to explore heavy asset business on the original basis of asset entrusted management services. The Group believes that Fantasia Business Management will generate a stable and growing return in the future.

Cultural and Tourism Group

In 2014, Fantasia Cultural and Tourism Group was taking shape and its businesses covered hotels, golf courses, urban clubhouses, private clubs, theme parks, art museums and engineering consultation. In 2015, Cultural and Tourism Group, having inherited the "Internet Plus Community" concept, continued on the path of developing light assets, targeting both the domestic and the overseas markets, with commitment to consolidating and refining the cultural tourism resources.

In 2016, Fantasia Cultural and Tourism Company (花樣年文化旅遊公司) ("Fantasia Cultural and Tourism", and together with its subsidiaries the "Fantasia Cultural and Tourism Group"), a wholly-owned subsidiary of the Group, put "Hotel Plus Travel" on the highest priority. In response to the call of the Group, Fantasia Cultural and Tourism adopted a 'lighter' corporate structure through adjusting the organization structure of Cultural and Tourism Group and built a new elite team with core member decreased to 20. Hotel business was also redesigned. The formation of the Wechat platform of "U Hotel" (有園) built an extensive database for hotels while the publicity of U Hotel was raised through the Wechat platform to promote cultural activities and enhance the interaction between hotels and customers. The golden-ager market of Geyuan Hotel (個園酒店) already secured a stable and matured source of customers while the regimen market was further enhanced in this year. In August 2016, the project of Jingchuan (涇川花樣年美年文化城), the largest cultural and tourism complex in Gansu region, commenced operation. While leveraging on its own brand and operational advantages on the cultural tourism, Fantasia Cultural and Tourism also take advantage of the special cultural resources on Buddhism, culture of the Queen West (西王母), ecology and regimen to promote the culture and tourism in Jingchuan. In August, Cultural and Tourism commenced the acquisition of Shenzhen Tiantai Travel Agency (深圳天泰旅行社) to build a platform for its community tourism at later stage and lay the foundation for its comprehensive accommodation business.

In 2017, Fantasia Cultural and Tourism Group will establish a more effective connection with its community's client groups so as to offer its clients better options. Meanwhile, the real estate business sector will interact with the heavy asset business sector. The Group will also speed up the promotion of business with airlines such as Tengda (騰達) and the development of tourism business at small towns and scenic villages to explore new tourism resources.

Futainian

In 2016, Shenzhen Futainian Investment Management Co., Ltd. (深圳福泰年投資管理有限公司) ("Futainian"), a wholly-owned subsidiary of the Group, continued its thorough study on the consumer behaviour of the senior citizens and core healthcare products and services for senior citizens, as well as established a Futainian membership system, where the number of members keeps increasing. Futainian considered health management as a value-added service and used smart senior care facilities to build an extensive smart database for senior citizens. For the operation of retirement institutions, Fulin Retirement Home, the first mid-to-high end retirement home established by Futainian, was well received by the market. Meanwhile, Futainian participated in the government's procurement projects on homecare services and explored the method and standard of home-based homecare service. In respect of product line and services, Futainian offered services such as senior group travelling, home-based homecare, health management, rehabilitation and senior university.

In 2017, Futainian will continue to focus on the collaboration of institutional service, community service and homecare service and to further implement the "3-in-1" retirement life service system and to gradually complete the three retirement service product lines of institutional service, community service and homecare service so as to build a one-stop retirement service model. In respect of institution operation, Futainian will continue to optimize the operation capability of Fulin Retirement Home in order to achieve quick expansion, to establish the advantage of being a chain retirement home. In respect of community retirement service, Futainian will integrate the resources from all aspects of retirement service, put focus on the membership system, consider health management as a value-added service, and use smart senior care facilities to build an extensive smart database for senior citizens. In respect of homecare service, Futainian will proactively undertake and engage in the government's procurement projects on homecare services and carry out home-based homecare service. It will also conduct studies on senior citizens and emphasize on whole-person management by focusing on the body functions of the senior citizens so as to avoid or delay their loss of capacity; or to provide rehabilitation to the fully or partly incapacitated senior citizens so to raise their quality of living, ease the burdens of the families and relieve stress on retirement care of society and the government.

Education

To match the needs of rapid business growth and to build harmonious families, the education sector of the Group seeks to build an innovative industrial platform based on the long term planning and the strategic layout of the four major communities and four major applications.

The education sector will focus on family and integrate internal resources of the Group, Colour Life, Jiefang District, and Guilin Hehenian Microcredit Company Limited ("Hehenian") and external resources on education, business and community to build platforms for modern education service and child development experience. The platforms offer high quality servicing staff that can provide unique experience and environment for the growth of the children and family education for families in the communities.

In 2016, the education sector of the Group such as community education, occupational training and civil education developed rapidly, with several projects successfully implemented. Community education commenced in May 2016 and the first child development experience center started its operation. Educational experts from China and overseas were also introduced to establish a community curriculum system. The child development experience center linked our own property brand with families in the community and enhanced the in-depth interaction between them. The innovative model drew the attention of many educational institutions, government and media. In October 2016, being benefited from the well establishment of the system at early stage, community education commenced and launched projects to diversify its profit sources. The first two projects were successfully implemented in Bao'an District, Shenzhen.

Occupational training and community education of the education sector are complementary to each other. Through the training of quality family service staff, families' daily sore points could be relieved. Leveraging on the community resources of Colour Life and Jiefang District, and the internet platform, over 40 communities have been covered by the occupational training business, which established close connection with users and was able to collect large amount of family data samples. The 37 service courses, training systems, and service launching systems it offered were generally well received by the residents of the communities. Looking forward, occupational training sector will further focus on the explicit and implicit needs of the community families and continuously provide high quality service talents and new mode of community interactions to the communities through the Internet and the share model of community, so as to provide the service staff better and broader employment platforms and opportunities.

In respect of civil education, Fantasia Group closely collaborated with the Chengdu Foreign Languages School to build the largest education and art complex in Southwest China in 2016. They also established the Meinian Campus of the Primary School Attached to Chengdu Foreign Languages School. The first kindergarten project under the education sector will also be carried out in Huizhou in the future.

Looking ahead, the education sector of the Group will rapidly expand the community education, occupational training and civil education mainly in first and second-tier cities in China. Through brand establishment and high-quality product service, the education sector will provide the community families with quick, convenient and excellent solutions on education and bring values to the positive development of society, enterprises, families and individuals.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, (v) the provision of hotel management and related services and (vi) the provision of travel agency service. For the year ended 31 December 2016, revenue of the Group amounted to approximately RMB10,921 million, representing an increase of 33.8% from approximately RMB8,164 million in 2015. Profit for the year attributable to the owners of the Company was approximately RMB806 million, representing a decrease of 33.4% from approximately RMB1,211 million in 2015.

Property Development

The Company recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of the Group's properties held for sales. Revenue derived from property development increased by 27.5% to approximately RMB8,366 million in 2016 from approximately RMB6,562 million in 2015, due to the hot selling properties sold by Yuehua New Technology in Shenzhen this year, leading to the overheating of the Shenzhen's property market.

Property Investment

Revenue generated from property investment increased by 32.2% to approximately RMB242 million in 2016 from approximately RMB183 million in 2015. The increase was primarily due to the additional area of investment properties leased externally.

Property Agency Services

Revenue derived from property agency services increased by 9.4% to approximately RMB27 million in 2016 from approximately RMB24 million in 2015. The increase was primarily due to the increase in the number of communities that the Group provided agency services and management services to.

Property Operation Services

Revenue derived from property operation services increased by 30.1% to approximately RMB1,652 million in 2016 from approximately RMB1,270 million in 2015. The increase was primarily due to the increase in both the GFA of the properties under the Group's management and the scope of value-added services provided in 2016.

Hotel Operations

Revenue derived from hotel services decreased by 6.4% to approximately RMB114 million in 2016 from approximately RMB122 million in 2015. This decrease was primarily due to the disposal of subsidiaries of the group.

Others

Revenue derived from travel agency services was approximately RMB520 million, which was generated from the acquisition of Morning Star Travel and ASIMCO Investments III Limited.

Gross Profit and Margin

Gross profit increased by 40.1% to approximately RMB3,528 million in 2016 from approximately RMB2,519 million in 2015, while the Group's gross profit margin was 32.3% in 2016 as compared to a gross profit margin of 30.9% in 2015. The increase in gross profit margin was due to the hot selling properties sold by Shenzhen Yuehua New Technology Industry Company Limited* (深圳市越華創新科技工業城有限公司) in 2016 was located in Shenzhen. The property market of Shenzhen in 2016 was overheat, leading to the increase in gross profit. Besides, the business expansion of Colour Life and Home E&E resulted in an increase in the cost of revenue of both companies, leading to the increase in gross profit.

Other Income, Gain and Losses

In 2016, the Group recorded other net loss of RMB585 million, (2015: RMB108 million). Such difference was mainly attributable to the exchange loss of RMB666 million in 2016 (2015: RMB234 million).

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 30.1% to approximately RMB223 million in 2016 from approximately RMB319 million in 2015. The decrease was mainly due to the decrease in advertising expenses of physical-form advertisements, sales agency fee and other expenses.

Administrative Expenses

The Group's administrative expenses increased by 14.8% to approximately RMB851 million in 2016 from approximately RMB741 million in 2015. This increase was mainly due to the increase in the number of staff required to support the expansion of the Group's scale of operation for the Group's business development during its transformation towards a community-based company.

* *For identification purpose only*

Finance Costs

The Group's finance costs increased by 208.3% to approximately RMB932 million in 2016 from approximately RMB302 million in 2015. The increase in finance costs was mainly due to the increase in the average annual balance of interest-bearing liabilities, which offsets the effect arising from the slight decrease in overall interest rate.

Income Tax Expenses

The Group's income tax expenses increased by 9.3% to approximately RMB1,442 million in 2016 from approximately RMB1,319 million in 2015. This increase was mainly due to the increase in profit before tax.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by 33.4% to approximately RMB806 million in 2016 from approximately RMB1,211 million in 2015.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2016, the Group's bank balances and cash were in the sum of approximately RMB11,134 million (2015: approximately RMB4,218 million), representing an increase of 164.0% as compared to that as at 31 December 2015. A portion of the Group's cash is restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to.

Net Gearing Ratio

The net gearing ratio was 83.0% as at 31 December 2016 compared to that of 75.8% as at 31 December 2015, representing a substantial increase of 7.2 percentage points. The net gearing ratio was measured by net debt (aggregated borrowings, senior notes and bonds and assets backed securities issued, net of bank balances and cash and restricted/pledged bank deposits) over the total equity.

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group had an aggregate borrowings, senior notes and bonds and assets backed securities issued of approximately RMB3,367 million (31 December 2015: approximately RMB3,964 million) and approximately RMB18,380 million (31 December 2015: approximately RMB9,535 million) and approximately RMB275 million (31 December 2015: nil), respectively. Amongst the borrowings, approximately RMB929 million (31 December 2015: approximately RMB1,408 million) will be repayable within one year, approximately RMB2,336 million (31 December 2015: approximately RMB2,468 million) will be repayable between two to five years and approximately RMB103 million (31 December 2015: approximately RMB88 million) will be repayable after five years. Amongst the senior notes, approximately RMB1,575 million (31 December 2015: approximately RMB1,004 million) will be repayable within one year and approximately RMB16,804 million (31 December 2015: approximately RMB8,531 million) will be repayable after one year.

As at 31 December 2016, a substantial part of the borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through the pledge of their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings, obligations under finance leases and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. During 2016, though the exchange rates of RMB against U.S. dollar and Hong Kong dollar decreased, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 31 December 2016, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB1,604 million (2015: RMB3,867 million).

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees amounting to approximately RMB6,258 million (2015: approximately RMB6,442 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2016 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2016, excluding the employees of communities managed on a commission basis, the Group had approximately 29,038 employees (31 December 2015: approximately 12,141 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2016 amounted to approximately RMB1,146 million (2015: approximately RMB629 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted the share option scheme on 27 October 2009. As at 31 December 2016, a total of 142,660,000 share options were granted and 0 (2015: 19,325,000) share options had lapsed while 618,000 (2015: 3,721,000) share options had been exercised during the year. As at 31 December 2016, the number of outstanding share options was 85,326,000.

DIVIDENDS DISTRIBUTION

The Directors recommended the declaration of a final dividend at the rate of HK5.00 cents per share payable on Wednesday, 14 June 2017 to all persons registered as holders of shares of the Company on Thursday, 1 June 2017, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Wednesday, 24 May 2017, the register of members of the Company will be closed on Thursday, 18 May 2017 to Wednesday, 24 May 2017, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 17 May 2017.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Wednesday, 31 May 2017 to Thursday, 1 June 2017, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 29 May 2017.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 24 May 2017 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange in due course.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules. For the period throughout the year ended 31 December 2016, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save and except for code provision A.2.1. Details of which will be explained below.

Code A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Pan Jun is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

Audit Committee

The Company has established the audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Audit Committee on 22 December 2015. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The annual results of the Company have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Remuneration Committee on 12 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") in compliance with the Listing Rules to fulfill the functions of reviewing the structure of and nominating suitable candidates to the Board. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Nomination Committee on 30 August 2013. The revised terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all the Directors and all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

On 4 January 2016, the Company issued the domestic corporate bonds of up to RMB1.1 billion at a coupon rate of 7.29% (the "Domestic Bonds") for the purposes of repayment of loans from financial institutions and replenishment of general working capital Fantasia Group (China) Company Limited (花樣年集團(中國)有限公司). Further details relating to the issue of Domestic Bonds are disclosed in the announcement of the Company dated 5 January 2016.

On 27 April 2016, the Company issued the senior notes due 2019 with principal amount of CNY600,000,000 at a coupon rate of 9.5% per annum (the "9.5% Original Notes due 2019") for the purposes of refinancing certain of its existing indebtedness. Further details relating to the issue of the 9.5% Original Notes due 2019 are disclosed in the announcements of the Company dated 26 and 27 April 2016.

On 23 August 2016, the Company issued additional 9.5% senior notes due 2019 in the principal amount of CNY1,000,000,000 on terms and conditions of the 9.5% Original Notes due 2019 (the "9.5% Additional Notes due 2019"), which is consolidated and form a single series with the 9.5% Original Notes due 2019, for the purposes of refinancing certain of its existing indebtedness. Further details relating to the issue of the 9.5% Additional Notes due 2019 are disclosed in the announcements of the Company dated 22 and 23 August 2016.

On 28 September 2016, the Company issued the senior notes due 2021 with principal amount of USD400,000,000 at a coupon rate of 7.375% per annum (the "7.375% Original Notes due 2021") for the purposes of refinancing certain of its existing indebtedness. Further details relating to the issue of the 7.375% Original Notes due 2021 are disclosed in the announcements of the Company dated 27 and 28 September 2016.

On 20 December 2016, the Company issued additional 7.375% senior notes due 2021 in the principal amount of USD100,000,000 on terms and conditions of the 7.375% Original Notes due 2021 (the "7.375% Additional Notes due 2021"), which is consolidated and form a single series with the 7.375% Original Notes due 2021, for the purposes of refinancing certain of its existing indebtedness. Further details relating to the issue of the 7.375% Additional Notes due 2021 are disclosed in the announcements of the Company dated 20 December 2016.

During the year ended 31 December 2016, the Company has repurchased the 13.75% senior notes due 2017 and the 10.625% senior notes due 2019 in an aggregate principal amount of approximately US$30.3 million and US$21.1 million (the "Repurchased Notes") respectively. The Repurchased Notes were canceled and delisted from the official list of the Singapore Exchange Securities Trading Limited ("the Singapore Stock Exchange"). Please refer to the announcements of the Company dated 10 November 2016, 21 November 2016 and 2 December 2016 for details of the repurchase and cancellation of senior notes.

The Company has redeemed in full the 10.625% senior notes due 2019, which were listed on the Singapore Stock Exchange, at a redemption amount equals to 105.31250% of its principal amount plus accrued and unpaid interest of US$14,816,562.5. Please refer to the announcements of the Company dated 19 December 2016 and 24 January 2017 for details of the redemption.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors at the date of this annual report, the Company has maintained sufficient public float throughout the year ended 31 December 2016.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnfantasia.com). The annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

The development of the Group was founded on the tremendous support from all parties in the society and the contributions of our dedicated staff. On behalf of the Board, the Company would like to take this opportunity to express its heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. Looking forward, the Group will build a coordinated organic ecosphere based on the financial services and the Internet, actively promote the globalisation of our development strategies and step by step shift towards light asset based business. It will also gradually adopt an organisation structure that separates the operation of front and back offices and supervise their coordination, so as to establish itself as an integrated strategic investment holding group. The Group will adhere to the brand vision of "Fantasia Creates Value" and endeavour to create maximum value and best return for shareholders and investors.

On behalf of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 17 March 2017

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Lam Kam Tong and Mr. Deng Bo; the non-executive Directors are Mr. Li Dong Sheng and Mr. Yuan Hao Dong and the independent non-executive Directors are Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.