WUZHOU INTERNATIONAL HOLDINGS LIMITED
五洲國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01369)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Wuzhou International Holdings Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016.

FINANCIAL HIGHLIGHTS

– Turnover of the Group amounted to approximately RMB3,788 million, representing an increase of 13.7% from the corresponding year in 2015.

– Revenue derived from property development increased by 11.4% to approximately RMB3,436 million for the year ended 31 December 2016. Other recurring income increased by 41.9% to approximately RMB352 million.

– Gross profit increased by 88.0% to approximately RMB1,345 million for the year ended 31 December 2016. Gross profit margin increased to 35.5% from 21.5% for the corresponding year in 2015.

– The Group recorded a profit for the year attributable to owners of the Company of approximately RMB101 million as compared to loss of approximately RMB482 million for the corresponding year in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**3,788,328**	3,332,809
Cost of sales		**(2,443,681)**	(2,617,435)
Gross profit		**1,344,647**	715,374
Other income and gains	5	**310,961**	147,562
Selling and distribution expenses		**(285,895)**	(405,946)
Administrative expenses		**(285,907)**	(452,494)
Other expenses	5	**(227,067)**	(153,768)
Increase in fair value of investment properties		**294,698**	185,354
Finance costs	7	**(608,164)**	(369,165)
Share of profits and losses of associates		**(9,544)**	(11,503)
PROFIT/(LOSS) BEFORE TAX	6	**533,729**	(344,586)
Income tax expense	8	**(424,598)**	(216,798)
PROFIT/(LOSS) FOR THE YEAR		**109,131**	(561,384)
Attributable to:			
Owners of the parent		**100,573**	(481,742)
Non-controlling interests		**8,558**	(79,642)
		109,131	(561,384)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (Cents)		**2.02**	(9.95)
Diluted (Cents)		**2.02**	(9.95)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
PROFIT/(LOSS) FOR THE YEAR		**109,131**	(561,384)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	*20*	**(2,825)**	–
Income tax effect	*21*	**223**	–
		(2,602)	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(2,602)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(2,602)**	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**106,529**	(561,384)
Attributable to:			
Owners of the parent		**98,151**	(481,742)
Non-controlling interests		**8,378**	(79,642)
		106,529	(561,384)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**251,468**	260,470
Investment properties		**8,522,900**	7,939,100
Prepaid land lease payments		**761,085**	–
Other intangible assets		**2,875**	3,914
Long-term deferred expense		**1,114**	2,416
Investments in associates		**57,640**	29,997
Available-for-sale investment		**271,850**	950
Deferred tax assets		**187,196**	212,855
Total non-current assets		**10,056,128**	8,449,702
CURRENT ASSETS			
Inventories		**15,183**	6,553
Properties under development		**3,519,156**	4,705,991
Completed properties held for sale		**3,532,799**	3,053,952
Trade receivables	*10*	**46,451**	25,738
Due from related companies		**2,606**	–
Due from a related party		**630**	–
Prepaid land lease payments		**523,011**	1,222,788
Prepayments, deposits and other receivables	*11*	**1,691,598**	863,278
Tax recoverable		**75,208**	122,252
Available-for-sale investments		**246,275**	–
Restricted cash		**92,470**	154,210
Pledged deposits		**1,982,599**	1,391,220
Cash and cash equivalents		**1,685,744**	1,006,078
Total current assets		**13,413,730**	12,552,060
CURRENT LIABILITIES			
Trade and bills payables	*12*	**3,164,463**	3,677,178
Other payables and accruals		**1,179,277**	1,036,728
Advances from customers		**2,899,039**	3,543,472
Derivative financial instruments		**23,728**	29,272
Convertible notes		**684,840**	573,578
Corporate bonds		**508,689**	–
Interest-bearing bank and other borrowings		**3,494,704**	2,793,739
Tax payable	*8*	**914,134**	733,282
Total current liabilities		**12,868,874**	12,387,249
NET CURRENT ASSETS		**544,856**	164,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,600,984**	8,614,513

Continued/...

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,285,514**	2,165,691
Senior notes	**2,126,449**	1,976,608
Corporate bonds	**1,515,131**	–
Deferred tax liabilities	**523,595**	456,331
Total non-current liabilities	**6,450,689**	4,598,630
Net assets	**4,150,295**	4,015,883
EQUITY		
Equity attributable to owners of the parent		
Share capital	**313,354**	313,354
Reserves	**3,331,205**	3,244,929
	3,644,559	3,558,283
Non-controlling interests	**505,736**	457,600
Total equity	**4,150,295**	4,015,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 June 2013.

The head office and principal place of business of the Company in Hong Kong is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group was principally involved in property development, property investment and the provision of property management services.

In the opinion of the directors, the ultimate holding company of the Company is Boom Win Holding Limited, which is incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan (the "Shu Brothers" or "Controlling Shareholders").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which include all standards and interpretations approved by the IASB, and International Accounting Standards ("IASs"), Standing Interpretations Committee interpretations approved by the IASB that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40.

The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 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. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful life and the annual depreciation rate are as follows:

	Estimated useful life	**Annual depreciation rate**
Buildings	40 years	2.38%
Plant and machinery	3 –10 years	9.50% to 31.67%
Motor vehicles	4–5 years	19.00% to 23.75%
Office equipment	3–5 years	19.00% to 31.67%

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

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

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

Investment properties

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

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

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

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

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Senior notes and corporate bonds

Senior notes and corporate bonds issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes and corporate bonds are carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes and corporate bonds are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the periods of the senior notes and corporate bonds using the effective interest method.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

Provisions

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

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

For the Group, revenue from sale of completed properties is recognised upon the signing of property handover letter, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Commissions from concessionaire sales are recognised upon the sale of goods by the relevant stores.

Service income from commercial management services and other activities are recognised when the services are rendered and the inflow of economic benefit is probable.

Dividend income is recognised when the shareholder's right to receive payment has been established.

Share-based payments

The Company operates a pre-IPO share awards scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which are the functional currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Transfer to or from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Estimation uncertainty

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

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Estimate of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2016 was RMB8,522,900,000 (31 December 2015: RMB7,939,100,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2016, no impairment losses have been recognised for available-for-sale assets (2015: Nil). The carrying amount of available-for-sale financial assets was RMB517,175,000 (2015: Nil).

Impairment of non-financial assets (other than goodwill)

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

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment in accordance with the accounting policy as disclosed in the relevant part of this section when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property management and investment segment engages in providing commercial management services, property management services, property consulting services and investing in properties for their rental income potential and/or for capital appreciation; and

(c) the "others" segment engages in lending to customers, department store operation and providing consulting services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs, dividend income and share of income or losses of associates are excluded from this measurement.

Segment assets exclude an available-for-sale investment and investments in associates as these assets are managed on a group basis.

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

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no sales to a single customer contributed to over 10% of the Group's revenue for the years ended 31 December 2016 and 2015.

Year ended 31 December 2016	**Property development** *RMB'000*	**Property management and investment** *RMB'000*	**Others** *RMB'000*	**Adjustments and eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue					
Sales to external customers	3,436,475	224,656	172,422	(45,225)	3,788,328
Segment results	576,100	322,814	207,298	45,225	1,151,437
Reconciliation:					
Finance costs					(608,164)
Share of profits and losses of associates					(9,544)
Profit before tax					533,729
Segment assets	13,576,604	9,066,351	251,138	–	22,894,093
Reconciliation:					
Available-for-sale investment					518,125
Investments in associates					57,640
Total assets					23,469,858
Segment liabilities	18,679,409	589,753	50,401	–	19,319,563
Total liabilities					19,319,563
Other segment information					
Depreciation and amortisation	10,907	2,865	6,226	–	19,998
Increase in fair value of investment properties	–	294,698	–	–	294,698

Year ended 31 December 2015	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	3,084,844	179,698	132,751	(64,484)	3,332,809
Segment results	(187,785)	123,157	36,226	64,484	36,082
Reconciliation:					
Finance costs					(369,165)
Share of profits and losses of associates					(11,503)
Loss before tax					(344,586)
Segment assets	12,407,391	8,195,722	367,702	–	20,970,815
Reconciliation:					
Available-for-sale investment					950
Investments in associates					29,997
Total assets					21,001,762
Segment liabilities	16,154,375	644,366	187,138	–	16,985,879
Total liabilities					16,985,879
Other segment information					
Depreciation and amortisation	18,384	2,899	6,058	–	27,341
Increase in fair value of investment properties	–	185,354	–	–	185,354

5. REVENUE, OTHER INCOME, GAINS AND OTHER EXPENSES

Revenue, represents income from the sale of properties, rental income, commercial management service income, property management service income, property consulting service income and commissions from concessionaire sales during the year, after deduction of allowances for returns and trade discounts.

An analysis of revenue, other income, gains and other expenses is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**3,436,475**	3,084,844
Rental income	**116,887**	73,792
Commercial management service income	**101,287**	98,713
Property consulting service income	**79,854**	43,955
Property management service income	**5,339**	5,709
Commissions from concessionaire sales	**3,196**	6,750
Others	**45,290**	19,046
	3,788,328	3,332,809
Other income		
Subsidy income	**35,225**	59,911
Interest income	**38,810**	22,425
Others	**10,670**	7,821
	84,705	92,130
Gains		
Gain on disposal of prepaid land lease payment	**4,141**	1,743
Gain on disposal of items of property, plant and equipment	**1,312**	230
Gain on disposal of subsidiaries	**178,017**	–
Gain on acquisition of a subsidiary	**27,493**	–
Gain on acquisition of an associate	**9,749**	–
Fair value gains, net:		
Derivative instruments at fair value through profit or loss	**5,544**	55,432
	226,256	57,405
	310,961	147,562
Other expenses		
Foreign exchange differences	**194,479**	136,850
Loss on disposal of items of property, plant and equipment	**97**	51
Others	**32,491**	16,867
	227,067	153,768

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2016	2015
	RMB'000	*RMB'000*
Cost of properties sold	**2,309,594**	2,348,928
Cost of property management service provided	**1,498**	4,624
Cost of property consulting service provided	**19,570**	21,674
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties and commercial management service provided	**65,170**	95,269
Impairment loss recognised	**30,575**	135,665
Depreciation	**17,486**	25,178
Amortisation of intangible assets	**1,066**	884
Amortisation of long-term deferred expenses	**1,446**	1,279
Auditor's remuneration	**7,089**	6,616
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):		
Wages and salaries	**166,837**	229,566
Equity-settled share-based payment expenses	**(2,361)**	6,789
Pension and social welfare	**37,089**	51,064
	201,565	287,419

Note:

* At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2015: nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**459,018**	464,968
Interest on senior notes	**291,205**	232,793
Interest on convertible notes	**120,656**	101,398
Interest on corporate bonds	**48,955**	–
Less: Interest capitalised	**(311,670)**	(429,994)
	608,164	369,165

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the year ended 31 December 2016.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25%.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

In addition, Wuxi Wuzhou Ornament City, Wuxi Zhongnan, Wuxi Longan and Dali Wuzhou were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "Wuxi Tax Circular No. (2009) 46" and "No. 1 (2010) Announcement of Dali tax bureau".

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**157,341**	42,809
PRC LAT	**173,552**	94,127
Deferred tax	**93,705**	79,862
Total tax charge for the year	**424,598**	216,798

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) before tax from continuing operations	**533,729**	(344,586)
Tax at the statutory tax rate	**133,432**	(86,146)
Expenses not deductible for tax	**169,245**	149,392
Utilisation of tax loss previously not recognised	**(7,156)**	(745)
Tax loss not recognised	**31,972**	119,260
Profits and losses attributable to associates	**2,386**	2,876
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**–**	(38,434)
Provision for LAT	**173,552**	94,127
Tax effect on LAT	**(43,388)**	(23,532)
Gain on acquisition	**(9,311)**	–
Gain on disposal of subsidiaries not subject to tax	**(26,134)**	–
Tax charge at the Group's effective rate	**424,598**	216,798

Tax payable in the consolidated statement of financial position represents:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
PRC corporate income tax payable	**468,657**	367,634
PRC LAT payable	**445,477**	365,648
Total tax payable	**914,134**	733,282

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,990,259,914 (2015: 4,840,201,081) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable (see below). No adjustment has been made to the basic earnings/(loss) per share amounts presented for the year ended 31 December 2016 and 2015 in respect of a dilution as the impact of the convertible notes had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2016	2015
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**100,573**	(481,742)
Interest on convertible notes	**–**	–
Less: Fair value gain on the derivative component of the convertible notes	**–**	–
Profit/(loss) attributable to ordinary equity holders of the parent before interest on convertible notes	**100,573**	(481,742)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**4,990,259,914**	4,840,201,081
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
Convertible notes	**–**	–
	4,990,259,914	4,840,201,081

10. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**46,451**	25,738
Impairment	**–**	–
	46,451	25,738

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables receivable approximate to their fair values.

An aged analysis of the trade receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**25,904**	19,883
4 to 6 months	**20,253**	5,855
6 to 12 months	**189**	–
1 to 2 years	**105**	–
	46,451	25,738

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**46,157**	25,738
Past due but not impaired	**294**	–
	46,451	25,738

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Prepayments for construction cost	**59,871**	66,958
Prepayments for acquisition of land use rights	**125,800**	100,000
Tax recoverable	**125,805**	156,104
Deposits	**1,162,799**	326,225
Other receivables	**217,323**	213,991
	1,691,598	863,278

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

12. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**2,472,956**	3,488,580
Over 1 year	**691,507**	188,598
	3,164,463	3,677,178

Certain of the Group's bill payables are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Pledged deposits	**86,841**	262,376

The trade and bills payables other than mentioned above, are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade and bills payables by the end of the reporting period approximate to their corresponding carrying amounts due to their relatively short maturity terms.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

China's gross domestic product ("**GDP**") grew at 6.7% in 2016 as compared to 2015, demonstrating initial positive effects of supply-side reform. However, downward trend in investment, spending and foreign trade has shown a shaky economic foundation. For the nine months ended 30 September 2016, prices and transaction volume in the property market in China soared, among which red-hot supply and demand was not unusual in first and second-tier cities while the property markets in third and fourth-tier cities were booming after a long period of recession. China's property market in a number of cities began to cool down since October 2016 after the launch of the policies of "purchase and mortgage restriction" in a number of cities as well as tightening financing rules for property developers by the PRC government. In response to a weak economic environment, small and middle sized enterprises remained cautious in investments, and high destocking pressure remained in the commercial property market, posing challenges to the operation of the Group.

BUSINESS REVIEW

I. Contracted sales

During the year under review, the Group recorded contracted sales and contracted sales area of approximately RMB4,068 million and approximately 643,000 square metres ("sq.m."), representing decreases of 32.4% and 32.3% as compared with the same period of the previous year, respectively. Approximately RMB2,624 million and 432,000 sq.m. were from the sales of the trade logistics centers. Approximately RMB1,444 million and 210,000 sq.m. were from the sales of multi-functional commercial complexes.

Contracted sales of the Group, by geographical location, were mainly from Jiangsu Province, Zhejiang Province, Henan Province and Fujian Province. The contracted sales and contracted sales area were approximately RMB1,117 million, RMB973 million, RMB639 million and RMB406 million, and approximately 183,000 sq.m., 110,000 sq.m., 116,000 sq.m. and 58,000 sq.m., respectively, accounting for 27.5%, 23.9%, 15.7% and 10.0%, and 28.5%, 17.2%, 18.0% and 9.0% of the total contracted sales amount and the total contracted sales area, respectively. Income source of the Group in terms of geographical locations became more balanced.

Region	**Contracted sales amount**		**Contracted sales area**	
	RMB million	*Percentage (%)*	*'000 sq.m.*	*Percentage (%)*
Jiangsu Province	1,117	27.5	183	28.5
Zhejiang Province	973	23.9	110	17.2
Henan Province	639	15.7	116	18.0
Fujian Province	406	10.0	58	9.0
Jilin Province	378	9.3	56	8.6
Yunnan Province	315	7.7	60	9.3
Shandong Province	73	1.8	18	2.9
Hubei Province	47	1.1	12	1.8
Inner Mongolia	38	0.9	9	1.3
Heilongjiang Province	38	0.9	7	1.1
Liaoning Province	28	0.7	4	0.6
Chongqing Municipality	15	0.4	10	1.6
Total	4,068	100.0	643	100.0

II. Project Development

As at 31 December 2016, the Group had 37 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning, Chongqing, Inner Mongolia Autonomous Region and Fujian, including 21 trade logistics centers and 16 multi-functional commercial complexes.

Completed projects

During the year under review, the Group completed a total of 31 projects or project phases with a total gross floor area ("**GFA**") of approximately 4,931,000 sq.m., including approximately 2,759,000 sq.m. of GFA sold and delivered and approximately 734,000 sq.m. of GFA held for lease.

List of completed projects

Project name	City	Category	Interests of the Company	Total GFA *('000 sq.m.)*	Total saleable GFA *('000 sq.m.)*	GFA sold *('000 sq.m.)*	GFA held for sale *('000 sq.m.)*	GFA held for lease *('000 sq.m.)*
Jiangsu province								
1 Wuxi Wuzhou International Ornamental City	Wuxi	Trade logistics center	100%	392	340	236	3	101
2 Wuxi Wuzhou International Industrial Exhibition City	Wuxi	Trade logistics center	100%	440	395	322	3	70
3 Wuxi Wuzhou International Columbus Plaza	Wuxi	Multi-functional commercial complex	64.3%	212	168	107	17	44
4 Wuxi Wuzhou International Chinese Food Culture Exposition City	Wuxi	Multi-functional commercial complex	62%	191	154	92	16	46
5 Meicun Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	90%	54	40	19	–	21
6 Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	142	105	69	18	18
7 Wuxi New District Columbus Plaza	Wuxi	Multi-functional commercial complex	100%	91	71	39	9	23
8 Luoshe Wuzhou International Columbus Dragon City	Wuxi	Multi-functional commercial complex	100%	52	38	19	4	15
9 Jianhu Wuzhou International Trade City	Jianhu	Trade logistics center	100%	107	105	84	21	–
10 Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	127	99	59	15	25
11 Huaian Wuzhou International Plaza	Huaian	Multi-functional commercial complex	100%	147	110	49	7	54
12 Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	360	255	178	15	62
13 Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	225	180	111	35	34
14 Yixing Wuzhou International Huadong Trade City	Yixing	Trade logistics center	100%	65	64	35	29	–
15 Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	68	66	59	7	–
16 Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	74	58	16	24	18
			Sub-total	2,747	2,248	1,494	223	531

Project name	City	Category	Interests of the Company	Total GFA *('000 sq.m.)*	Total saleable GFA *('000 sq.m.)*	GFA sold *('000 sq.m.)*	GFA held for sale *('000 sq.m.)*	GFA held for lease *('000 sq.m.)*
Yunnan Province								
17 Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	256	255	198	57	–
18 Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	120	118	78	14	26
			Sub-total	376	373	276	71	26
Chongqing City								
19 Rongchang Wuzhou International Trade City	Chongqing	Trade logistics center	94%	276	274	131	58	85
			Sub-total	276	274	131	58	85
Hubei Province								
20 Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	167	167	156	11	–
			Sub-total	167	167	156	11	–
Shandong Province								
21 Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	114	102	42	35	25
22 Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Trade logistics center	95%	69	69	67	2	–
23 Leling Wuzhou International Exhibition City	Leling	Trade logistics center	51%	38	38	26	12	–
			Sub-total	221	209	135	49	25
Zhejiang Province								
24 Hangzhou Wuzhou International Plaza	Hangzhou	Multi-functional commercial complex	100%	76	59	33	4	22
25 Ruian Wuzhou International Trade City	Ruian	Trade logistics center	100%	65	63	48	15	–
26 Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	155	132	78	49	5
			Sub-total	296	254	159	68	27

Project name	City	Category	Interests of the Company	Total GFA (’000 sq.m.)	Total saleable GFA (’000 sq.m.)	GFA sold (’000 sq.m.)	GFA held for sale (’000 sq.m.)	GFA held for lease (’000 sq.m.)
Heilongjiang Province								
27 Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	91	89	60	29	–
			Sub-total	91	89	60	29	–
Henan Province								
28 Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	200	199	110	89	–
29 Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Trade logistics center	100%	341	291	258	33	–
			Sub-total	541	490	368	122	–
Jilin Province								
30 Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	163	161	105	16	40
			Sub-total	163	161	105	16	40
Liaoning Province								
31 Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	53	51	50	1	–
			Sub-total	53	51	50	1	–
			Total	4,931	4,316	2,934	648	734

Projects under development

As at 31 December 2016, the Group had a total of 21 projects or project phases under development with a total planned GFA of 1,809,000 sq.m., including approximately 433,000 sq.m. of GFA pre-sold and approximately 468,000 sq.m. of GFA held for lease.

List of projects under development

Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Jiangsu Province									
1 Wuxi Wuzhou International Industrial Exhibition City Phase II Hall D	Wuxi	Trade logistics center	100%	2017	83	70	23	4	43
2 Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Trade logistics center	100%	2017	34	26	–	26	–
3 Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	2017	29	27	25	2	–
4 Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	2017	118	93	33	60	–
5 Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	2017	66	63	16	47	–
6 Huaian Wuzhou International Plaza Phase II	Huaian	Multi-functional commercial complex	100%	2017	84	73	61	12	–
7 Xuzhou Road-port	Xuzhou	Trade logistics center	70%	2017	190	190	–	3	187
			Sub-total		604	542	158	154	230
Yunnan Province									
8 Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	2017	87	85	–	–	85
9 Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	2017	88	66	13	53	–
			Sub-total		175	151	13	53	85
Chongqing City									
10 Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	2017	7	7	–	7	–
			Sub-total		7	7	–	7	–
Hubei Province									
11 Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	2017	50	48	5	43	–
			Sub-total		50	48	5	43	–

Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA (’000 sq.m.)	Total saleable GFA (’000 sq.m.)	GFA pre-sold (’000 sq.m.)	GFA held for sale (’000 sq.m.)	GFA held for lease (’000 sq.m.)
Shandong Province									
12 China Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	2017	20	20	3	17	–
13 Yantai Wuzhou International Industrial Exhibition City	Yantai	Trade logistics center	95%	2017	75	67	13	54	–
			Sub-total		95	87	16	71	–
Zhejiang Province									
14 Ruian Wuzhou International Trade City	Ruian	Trade logistics center	100%	2017	171	143	26	19	98
15 Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	2017	157	108	35	67	6
			Sub-total		328	251	61	86	104
Henan Province									
16 Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	2017	11	7	5	2	–
17 Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Trade logistics center	100%	2017	124	119	73	46	–
			Sub-total		135	126	78	48	–
Jilin Province									
18 Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	2017	112	72	–	72	–
			Sub-total		112	72	–	72	–
Liaoning Province									
19 Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	2017	102	84	15	20	49
			Sub-total		102	84	15	20	49
Inner Mongolia Autonomous Region									
20 Tongliao Wuzhou International Trade City	Tongliao	Trade logistics center	100%	2017	118	117	34	83	–
			Sub-total		118	117	34	83	–
Fujian Province									
21 Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	2017	83	83	53	30	–
			Sub-total		83	83	53	30	–
			Total		1,809	1,568	433	667	468

Projects planned for future development

As at 31 December 2016, the Group had a total of 16 projects or project phases planned for future development, with a total planned GFA of approximately 3,723,000 sq.m.

List of projects planned for future development

	Project Name	City	Category	Interests of the Company	Total GFA
					('000 sq.m.)
Jiangsu Province					
1	Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall B and Building Complex	Wuxi	Trade logistics center	100%	144
2	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	27
3	Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	307
4	Yixing Wuzhou International Huadong Trade City	Yixing	Trade logistics center	100%	211
				Sub-total	689
Chongqing City					
5	Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	190
6	Yongchuan Wuzhou City	Chongqing	Trade logistics center	66%	61
				Sub-total	251
Yunnan Province					
7	Dali Wuzhou International Trade City Phase III	Dali	Trade logistics center	100%	917
				Sub-total	917
Hubei Province					
8	Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	Xiangyang	Trade logistics center	100%	512
				Sub-total	512

Project Name		City	Category	Interests of the Company	Total GFA ('000 sq.m.)
Shandong Province					
9	Leling Wuzhou International Exhibition City	Leling	Trade logistics center	51%	414
10	China Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	100
				Sub-total	514
Heilongjiang Province					
11	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	221
				Sub-total	221
Henan Province					
12	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	64
				Sub-total	64
Jilin Province					
13	Jilin Wuzhou International Trade City	Jilin	Trade logistics center	100%	70
				Sub-total	70
Liaoning Province					
14	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	86
				Sub-total	86
Zhejiang Province					
15	Leqing Wuzhou International Electrics & Electronic Appliance City	Leqing	Trade logistics center	100%	273
				Sub-total	273
Fujian Province					
16	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	126
				Sub-total	126
				Total	3,723

III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long term development and profitability of the Company. The Group carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the year under review, the Group strived to consolidate its existing land bank and actively expand and develop into other areas for a more extensive land bank across China.

As of 31 December 2016, the total planned GFA of land bank amounted to approximately 6,970,000 sq.m., including approximately 1,438,000 sq.m. for completed projects, approximately 1,809,000 sq.m. for projects under development and approximately 3,723,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years.

As at 31 December 2016, the breakdown of the Group's land bank by regions is as follows:

Region	**Completed projects** *('000 sq.m.)*	**Projects under development** *('000 sq.m.)*	**Projects planned for future development** *('000 sq.m.)*	**Total planned GFA of land bank** *('000 sq.m.)*	
Jiangsu province	760	604	689	2,053	29%
Yunnan province	83	175	917	1,175	17%
Hubei province	15	50	512	577	8%
Shandong province	74	95	514	683	10%
Zhejiang province	149	328	273	750	11%
Heilongjiang province	36	–	221	257	4%
Henan province	206	135	64	405	6%
Jilin province	39	112	70	221	3%
Liaoning province	6	102	86	194	3%
Chongqing city	70	7	251	328	5%
Inner Mongolia Autonomous Region	–	118	–	118	2%
Fujian province	–	83	126	209	3%
Total	1,438	1,809	3,723	6,970	100%

IV. Centralized operation, management and marketing

Most of the purchasers of retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

The Group develops and operates its trade logistics centers and multi-functional commercial complexes under the brands of "Wuzhou International" and "Columbus". In order to unify the brand image of its specialized wholesale markets and multi-functional commercial complexes, the Group's professional planning and marketing team is responsible for formulating its nation-wide promotion strategies and coordinating marketing activities. During the year under review, both the brand effect and visitor flow of its trade logistics centers and multi-functional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, the asset management, construction, design and operation capabilities of the Group were highly recognized in the industry. As a result, the brands "Wuzhou International" and "Columbus" were well-received in the places where the Group operates.

V. Outlook

Looking forward to 2017, China's economic growth will continue to slow down as structural reforms continue to advance and the property market cools down. Fiscal policy will remain positive to support Chinese government's 6.5% growth target. Industrial investment is expected to grow steadily and corporate earnings are expected to rebound. The Group takes a prudently optimistic view of its operating environment in 2017.

The Company will continue to accelerate resources integration along the trade logistics industrial chain and build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements for its healthy business development, allowing the Company to be the leading operator of integrated trade logistics platforms in China.

REVENUE

Our revenue comprises mainly income from the sale of properties, rental income, commercial and property management service income, property consulting service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the year ended 31 December 2016, turnover of the Group amounted to approximately RMB3,788 million, representing an increase of 13.7% from approximately RMB3,333 million for the corresponding year in 2015. Profit for the year attributable to the equity holders of the Company was approximately RMB101 million, representing an increase of 120.9% from approximately a loss of RMB482 million for the corresponding year in 2015.

Sale of Properties

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 11.4% to approximately RMB3,436 million for the year ended 31 December 2016 from approximately RMB3,085 million for the corresponding year in 2015. This increase was primarily due to an increase in the average selling price of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the year of 2016 and 2015.

	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Total revenue	**GFA**	**Average selling price**	**Total revenue**	**GFA**	**Average selling price**
	RMB'000	*sq.m.*	*RMB*	*RMB'000*	*sq.m.*	*RMB*
Changchun Wuzhou International Plaza 長春五洲國際廣場	**660,035**	**94,339**	**6,996**	39,707	2,610	15,214
Leqing Wuzhou International Electrics & Electronic Appliance City 樂清五洲國際中國電工電器城	**608,939**	**57,627**	**10,567**	–	–	–
Zhengzhou Wuzhou International Industrial Exhibition City 鄭州五洲國際工業博覽城	**415,081**	**79,558**	**5,217**	800,278	153,764	5,205
Yancheng Wuzhou International Plaza 鹽城五洲國際廣場	**274,461**	**32,138**	**8,540**	6,922	234	29,583
Baoshan Wuzhou International Plaza 保山五洲國際廣場	**218,150**	**47,852**	**4,559**	280,610	26,329	10,658
Nantong Wuzhou International Plaza 南通五洲國際廣場	**185,497**	**17,737**	**10,458**	399,319	54,423	7,337
Qianzhou Wuzhou International Plaza 前洲五洲國際廣場	**157,826**	**15,639**	**10,092**	–	–	–
Dali Wuzhou International Trade City 大理五洲國際商貿城	**123,066**	**19,441**	**6,330**	141,649	22,120	6,404
Wuxi Wuzhou International Chinese Food Culture Exposition City 無錫五洲國際中華美食城	**96,110**	**11,371**	**8,452**	52,445	11,766	4,457
Luoyang Wuzhou International Industrial Exhibition City 洛陽五洲國際工業博覽城	**79,896**	**15,926**	**5,017**	129,243	27,354	4,725
Jiangyin Wuzhou International Plaza 江陰五洲國際廣場	**76,645**	**13,392**	**5,723**	73,040	7,625	9,579
Yantai Wuzhou International Industrial Exhibition City (Fushan) 煙台五洲國際工業博覽城(福山)	**75,774**	**12,702**	**5,966**	1,008	187	5,390
Yixing Wuzhou International Huadong Trade City 宜興五洲國際華東商貿城	**74,542**	**17,008**	**4,383**	64,256	11,744	5,471
Mudanjiang Wuzhou International Industrial Exhibition City 牡丹江五洲國際工業博覽城	**53,248**	**11,206**	**4,752**	104,854	22,375	4,686
Sheyang Wuzhou International Plaza 射陽五洲國際廣場	**50,799**	**15,010**	**3,384**	110,469	34,685	3,185
Luoshe Wuzhou International Columbus Dragon City 洛社五洲國際哥倫布六龍城	**46,926**	**4,025**	**11,659**	20,516	1,391	14,749

	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Total revenue	**GFA**	**Average selling price**	**Total revenue**	**GFA**	**Average selling price**
	RMB'000	*sq.m.*	*RMB*	*RMB'000*	*sq.m.*	*RMB*
Wuxi New District Columbus Plaza 無錫新區哥倫布廣場	**43,924**	**7,745**	**5,671**	19,051	4,544	4,193
Shenyang Wuzhou International Industrial Exhibition City 瀋陽五洲國際工業博覽城	**42,379**	**8,341**	**5,081**	232,941	38,573	6,039
Hangzhou Wuzhou International Plaza 杭州五洲國際廣場	**23,290**	**875**	**26,617**	80,171	3,604	22,245
Rongchang Wuzhou International Trade City 榮昌五洲國際商貿城	**22,558**	**9,344**	**2,414**	22,513	10,595	2,125
Longkou Wuzhou International Trade City 龍口五洲國際商貿城	**22,444**	**3,010**	**7,456**	3,452	438	7,882
Ruian Wuzhou International Trade City 瑞安五洲國際商貿城	**21,318**	**2,238**	**9,526**	148,626	13,078	11,365
Wuxi Wuzhou International Ornamental City 無錫五洲國際裝飾城	**20,143**	**1,803**	**11,174**	32,513	3,387	9,599
Xiangyang Wuzhou Internaional Industrial Exhibition City 襄陽五洲國際工業博覽城	**16,611**	**6,316**	**2,630**	20,832	6,663	3,127
Leling Wuzhou International Exhibition City 樂陵五洲國際博覽城	**11,728**	**6,074**	**1,931**	45,756	15,064	3,037
Wuxi Wuzhou International Columbus Plaza 無錫五洲國際哥倫布廣場	**7,276**	**1,197**	**6,079**	15,115	1,324	11,416
Wuzhou International Automobile Exhibition City 五洲國際汽車博覽城	**3,727**	**551**	**6,768**	159,935	32,849	4,869
Wuxi Wuzhou International Industrial Exhibition City 無錫五洲國際工業博覽城	**2,510**	**414**	**6,063**	11,184	1,842	6,072
Yangjian Wuzhou International Plaza 羊尖五洲國際廣場	**1,460**	**72**	**20,187**	3,976	706	5,632
Jianhu Wuzhou International Trade City 建湖五洲國際商貿城	**112**	**44**	**2,524**	39,146	18,363	2,132
Meicun Wuzhou International Plaza 梅村五洲國際廣場	**–**	**–**	**–**	15,512	1,943	7,983
Huaian Wuzhou International Plaza 淮安五洲國際廣場	**–**	**–**	**–**	9,805	1,574	6,229
Total	**3,436,475**	**512,995**	**6,699**	3,084,844	531,154	5,808

Rental Income

Rental income generated from rental of investment properties increased by 58.4% to approximately RMB117 million for the year ended 31 December 2016 from approximately RMB74 million for the corresponding year in 2015. The increase was primarily due to the continuing growth of the investment properties.

Commercial Management Service Income and Property Management Service Income

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the first three years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by approximately 2.6% to approximately RMB101 million for the year ended 31 December 2016 from approximately RMB99 million for the corresponding year in 2015. Property management service income decreased by 6.5% to approximately RMB5 million for the year ended 31 December 2016 from approximately RMB6 million for the corresponding year in 2015. The increase in commercial management service income was primarily due to the increase in the GFA of the properties operated and managed by us, while the decrease in property management service income was due to the gradual transfer of property management business to other third parties for concentrating in the business of commercial management service.

Property consulting service income

Property consulting service income represents the revenue from consulting and advisory service rendered by the Group to third party companies in their development and construction of commercial properties.

Property consulting service income increased by 81.7% to approximately RMB80 million for the year ended 31 December 2016 from approximately RMB44 million for the corresponding year in 2015, which was mainly resulted from the increase in business volume of the services in the second half of the year.

Commissions from concessionaire sales

Revenue derived from the commissions from concessionaire sales decreased by 52.7% to approximately RMB3 million for the year ended 31 December 2016 from approximately RMB7 million for the corresponding year in 2015, which was resulted from the decrease of the relevant sales.

GROSS PROFIT AND MARGIN

Gross profit increased by 88.0% to approximately RMB1,345 million for the year ended 31 December 2016 from approximately RMB715 million for the corresponding year in 2015. Gross profit margin increased to 35.5% for the year ended 31 December 2016 from 21.5% for the corresponding year in 2015. The increase in gross profit was in line with the increase in revenue and gross profit margin for the year ended 31 December 2016. While the increase in our gross margin was the result of the increase in average selling price, change in product mix and the increase in recurring income which has higher gross profit margin and accounted a higher portion in the revenue.

OTHER INCOME AND GAIN

Other income and gains increased by 110.7% to approximately RMB311 million for the year ended 31 December 2016 from approximately RMB148 million for the corresponding year in 2015. Other income and gains are mainly represented by subsidy income, interest income, fair value gain of convertible notes, gain on acquisition/disposal of subsidiaries and certain non-recurring income and gains.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses decreased by 29.6% to approximately RMB286 million for the year ended 31 December 2016 from approximately RMB406 million for the corresponding year in 2015. The decrease was primarily due to a decrease in general selling, marketing and advertising activities resulting from fewer number of properties that were pre-sold in the year of 2016 as compared to that in the corresponding year of 2015.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by 36.8% to approximately RMB286 million for the year ended 31 December 2016 from approximately RMB452 million for the corresponding year in 2015. The decrease was mainly due to the result of the Group's policy of furthering the control of administrative expenses and the decrease in business activities of new projects that entered into trial or early stage of operations.

FINANCE COSTS

Our finance costs increased by 64.7% to approximately RMB608 million for the year ended 31 December 2016 from approximately RMB369 million for the corresponding year in 2015. The increase was primarily due to an increase in bank loans, full year effect of senior note issuance in July 2015 and the corporate bonds issuance in the PRC, which in turn increased the interest expenses.

INCOME TAX EXPENSES

Our income tax expenses increased by 95.8% to approximately RMB425 million for the year ended 31 December 2016 from approximately RMB217 million for the corresponding year in 2015. The increase was primarily due to the increase in provision for PRC land appreciation tax and the increase in enterprises income tax for projects recognised in the year of 2016.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group recorded a profit for the year attributable to owners of the Company of approximately RMB101 million as compared to loss of approximately RMB482 million for the corresponding year in 2015, which represented an increase of 120.9%. The increase was mainly due to the net effect of increases in revenue which resulted in higher gross profit, profit margin, the decreases in selling and distribution expenses, administrative expenses, revaluation gain on the appreciation of our investment properties and an increase in finance costs in the year of 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2016, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB3,761 million (2015: approximately RMB2,552 million), representing an increase of 47.4% as compared to that as at 31 December 2015. A portion of our cash are 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. As at 31 December 2016, the Group's restricted cash was approximately RMB92 million (2015: approximately RMB154 million), representing a decrease of 40.0% as compared to that as at 31 December 2015.

Current Ratio and Gearing Ratio

As at 31 December 2016, the Group has current ratio (being current assets over current liabilities) of approximately 1.04 compared to that of 1.01 as at 31 December 2015. The gearing ratio was 165.2% as at 31 December 2016 compared to that of 123.5% as at 31 December 2015. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings, corporate bonds, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated bank loans and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 45.2% as at 31 December 2016 compared to that of 35.8% as at 31 December 2015.

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of approximately RMB5,780 million (2015: approximately RMB4,959 million) and approximately RMB4,835 million (2015: RMB2,550 million), respectively. Amongst the bank and other borrowings, approximately RMB3,495 million (2015: approximately RMB2,794 million) will be repayable within 1 year, approximately RMB2,063 million (2015: approximately RMB1,783 million) will be repayable between 2 to 5 years and approximately RMB223 million (2015: approximately RMB383 million) will be repayable after 5 years. The senior notes are repayable between 2 to 5 years and convertible notes are redeemable on or after 30 September 2017. Amongst the corporate bonds, approximately RMB509 million (2015: nil) are repayable within 1 year and approximately RMB1,515 million (2015: nil) are repayable between 2 to 5 years.

As at 31 December 2016, a substantial part of the bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiary companies of the Group and secured by pledge of their shares. The bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. dollar.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings, senior and convertible notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. To mitigate foreign exchange exposure for the purpose of minimizing adverse effect on the operation of the Group, the Group continues to adopt a conservative approach and will closely monitor the foreign currency market and actively explore the domestic capital market for financing opportunities.

Commitments

As at 31 December 2016, the Group had committed payment for the acquisitions of land use rights and properties under development amounting to approximately RMB378 million (2015: RMB100 million) and approximately RMB2,672 million (2015: RMB2,914 million), respectively.

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees amounting to approximately RMB1,235 million (2015: approximately RMB1,891 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, the Group had approximately 2,503 employees, of which 992 employees involved in the property development sector and 1,511 in the property operation services sector. Total staff costs, including Directors' emoluments, for the year ended 31 December 2016 amounted to approximately RMB202 million (2015: approximately RMB295 million). Remuneration is determined by 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 to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme which became effective on 27 May 2013 (the "**Scheme**"). In September 2013, the Group granted share options to subscribe for 93,119,611 shares of the Company (the "**Shares**") in conformity with the Scheme to some of the Directors and employees of the Group, at an exercise price of HK$1.27 per share.

As at 31 December 2016, the total number of Shares in respect of which options were granted under the Scheme remain outstanding is 31,584,578 Shares, representing 0.6% of the total number of Shares in issue. For the year ended 31 December 2016, no share option has been granted and no shares has been exercised under the Scheme.

NON-PUBLIC ISSUE OF ON-SHORE CORPORATE BONDS IN THE PRC

During the year ended 31 December 2016, Wuxi Wuzhou International Ornamental City Co., Ltd.* (無錫五洲國際裝飾城有限公司) ("**Wuxi Wuzhou**"), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, has, based on the result of book-building process, issued two tranches of non-public on-shore corporate bonds ("**Corporate Bonds**") in the PRC as follows:

On 23 August 2016, Wuxi Wuzhou issued the first tranche of the Corporate Bonds in the amount of RMB500 million for a term of three years, with an annual coupon rate of 6.90%.

On 19 September 2016, Wuxi Wuzhou issued the second tranche of the Corporate Bonds in the amount of RMB1,500 million for a term of three years, with an annual coupon rate of 7.40%.

Subsequent to the year ended 31 December 2016, on 11 January 2017, Wuxi Wuzhou issued the third tranche of the Corporate Bonds in the amount of RMB1 billion for a term of three years, with an annual coupon rate of 7.30%.

Wuxi Wuzhou issued the Corporate Bonds in order to provide additional source of funding. Wuxi Wuzhou planned to use the net proceeds from the Corporate Bonds for refinancing and as general working capital of Wuxi Wuzhou and its subsidiaries. As of 31 December 2016, the net proceeds from the issue of the two tranches of the Corporate Bonds amounted to approximately RMB1,975 million. As at the date of this announcement, the net proceeds have been fully utilised in compliance with the intended use of the proceeds.

For more details, please refer to the announcements of the Company dated 23 August 2016, 19 September 2016 and 13 January 2017.

* *for identification purposes only*

APPROVAL OF PRC DOMESTIC CORPORATE BONDS

On 21 January 2016, the China Securities Regulatory Commission has by the approval document (Zheng Jian Xu Ke No. [2016] 152) (證監許可[2016]152號) (the "Approval") approved the application of Wuxi Wuzhou for the offer and issuance of domestic corporate bonds (the "Domestic Bonds") to qualified investors with an aggregate nominal value of not more than RMB1.6 billion, in the domestic financial bond market in the PRC. Under the terms of the Approval, the Domestic Bonds may be issued in multiple tranches, the first tranche may be issued within 12 months of the date of the Approval, whereby the remaining tranche(s) may be issued within 24 months of the date of the Approval. Wuxi Wuzhou will apply for the Domestic Bonds to be listed and traded on the Shanghai Stock Exchange in the PRC.

Wuxi Wuzhou has applied for the issue of the Domestic Bonds in order to provide Wuxi Wuzhou and its subsidiaries with an additional source of longer term funding at a reasonable financial cost for its operation and business development. Wuxi Wuzhou plans to use the net proceeds from the Domestic Bonds for refinancing and as general working capital of Wuxi Wuzhou and its subsidiaries. As at the date of this announcement, no part of the Domestic Bonds has been issued. For more details, please refer to the announcement of the Company dated 25 January 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2016.

FINAL DIVIDEND

The board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2016. (2015: Nil)

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 26 May 2017, the register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive during which period, no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms should be lodged for registration with the Company's branch share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 22 May 2017.

ANNUAL GENERAL MEETING

The Company's 2017 annual general meeting will be held on 26 May 2017 and the notice of the said annual general meeting will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of shareholders' transparency and accountability. It is the belief of the board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the code provisions contained in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016 except for code provisions A.1.1, A.2.7, A.4.1 and A.6.7.

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Board held three board meetings during the year ended 31 December 2016 for approving the final results for the year ended 31 December 2015, interim results for the period ended 30 June 2016 and transacting other business respectively. Going forward, the Board will strive to comply with this code provision and hold at least four board meetings a year.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive Directors) without the executive directors present. Mr. Shu Cecheng, the chairman of the Company did not hold any meeting with the non-executive Directors of the Company without the executive Directors present. However, Mr. Shu Cecheng has effective communication with the non-executive Directors from time to time.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Wang Wei, the non-executive Director of the Company was not appointed for a specific term. The articles of association of the Company stipulates that every Director shall be subject to retirement by rotation and re-election at least once every three years. Therefore, in the opinion of the Board, this meets the objective of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors and the non-executive Director did not attend the annual general meeting of the Company held on 27 May 2016 since they had other business commitments that required their attendance.

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 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding Directors' securities transactions during the year ended 31 December 2016 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2016 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee for purpose of reviewing and monitoring the financial reporting process, risk management and internal control systems of the Company. The audit committee of the Company currently comprises the three independent non-executive Directors, namely Mr. Lo Kwong Shun Wilson, Dr. Song Ming and Prof. Shu Guoying, while Mr. Lo Kwong Shun Wilson is the chairman of the audit committee.

The audit committee reviewed and discussed with external auditors of the Company the Group's financial statements for the year ended 31 December 2016. The audit committee together with the management of the Company also reviewed the accounting policies and practices adopted by the Group and discussed, among other things, risk management and internal controls procedures and financial reporting matters.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 have been audited by Messrs. Ernst & Young. A resolution for the re-appointment of Messrs Ernst & Young as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

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

This results announcement is published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.wz-china.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.

By order of the Board
Wuzhou International Holdings Limited
Shu Cecheng
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Shu Cecheng and Mr. Shu Cewan; the non-executive Director of the Company is Mr. Wang Wei and the independent non-executive Directors of the Company are Dr. Song Ming, Mr. Lo Kwong Shun Wilson and Prof. Shu Guoying.