NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Hong Kong Stock Code: 1278

革故鼎新 厚積薄發

推進新型城鎮化建設

2016
ANNUAL REPORT

CORPORATE PROFILE

OVERVIEW

China New Town Development Company Limited (stock code: 1278) (the "Company" or "CNTD") has been listed on the main board of The Stock Exchange of Hong Kong Limited since 22 October 2010.

In March 2014, China Development Bank International Holdings Limited ("CDBIH"), a wholly-owned subsidiary of China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") completed its subscription for CNTD's 54.3% issued shares. CDB Capital is a wholly-owned subsidiary of China Development Bank Corporation ("CDB"). CDB is one of the largest financial institutions focusing on development in China, and has been continuously supporting the urbanization construction in China since its establishment. Till then, the Company has officially become the one and sole listed platform of CDB and CDB Capital in the business segment of new urbanization. In the future, we shall leverage the advantage of the controlling shareholder's resources and experience, and integrate the opportunities arising from the new urbanization policy actively promoted by China, to build a national leading brand as a comprehensive new-town-developing operator.

We are a pioneer in China's new-type of urbanization. We have established industry leadership through over ten years of solid track record since 2002, and are among the very first players to engage in primary land development. With the trend of new urbanization in China and the Company's advantage in resources, we are gradually reforming, exploring and planning the blueprint of urbanization, while shaping development concepts and specifying strategies. Going on with the basis to follow the guidelines of national policy and with the demand of regional development and city life, we shall focus on creating new-type cities and towns featuring "city-industry integration", improve the quality and experience of people lives. With the business strategy of "urbanization investment+ downstream operation", on top of fixed investment in urbanization projects, we introduce excellent brand of downstream operation businesses to the region at the same time, such as education, tourism, medical and etc. We aim to focus on the downstream operation, to build long-term industry competence and value, and to build a sustainable level of profitability over the long run.

Currently, CNTD has projects including Shanghai Luodian Project, Nanjing Yuhuatai District Two Bridges Project, Yangzhou Airport New Town Project, Danyang Xinmeng River Project and Shenyang Lixiang Project. Among them, Shanghai Luodian and Shenyang Lixiang are the remaining projects before the acquisition, in which we share part of the interest in the proceeds from the sale of land use right. For the Nanjing, Yangzhou and Danyang projects, through direct equity participation, public-private-partnership model (the "PPP model"), funds and other methods, we are entitled to a generous annualized fixed income according to the investment amount and receive credit enhancements on our investments such as including the returns into the local government's annual fiscal budget. What's more, the Group entered the Nanjing and Yangzhou projects with an investment model featuring steady and measurable fixed income, to further identify and select opportunities in the value-added section of the downstream value chain in the process of urbanization development, through participating in areas including industry introduction, secondary land development and smart-city operation to boost follow-up investment opportunities for excessive returns, as well as to implement "city-industry integration" in the true sense aiming at creating a leading new brand in the field of new-type of urbanization.

Under the background of the national policy which supports new urbanization, we have confidence to realize the steady upgrade of the Company's scale of assets and operating results by fully integrating the resource advantages of controlling shareholder and the rich experience of project teams.

GOAL

Our Goal is to be the leading new town developer in China achieving long-term sustainable growth whilst we continue to strive for short to medium term profitability in order to deliver the greatest value to our shareholders.

MISSION

Our Mission is to provide urbanization products which are consistent with the demand of regional development and city life, to enhance the region's urbanization level and citizens' living quality.

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OUR BUSINESS

OUR BUSINESS

Introduction

We started to enter the new town development industry in 2002, so far have accumulated more than 14 years' experiences in the operation of development. In the previous project development, we accumulated a complete operational experience in the industry chain of new town development, including preliminary planning, land consolidation and supporting construction of infrastructure facilities, resources introduction to the region, which has improved the region's urbanization level.

Upon becoming a subsidiary of CDB Capital, we have made good use of these operating experience, together with the national resources advantage of the controlling shareholder, to actively make an optimization of project operation mode. We have established the business mode of "urbanization investment + downstream operation", rapidly expanded the business scale, and achieved a good scale effect and financial basis and brand advantages. Based on urbanization investment, we actively focus on the value-added service processes, such as design of regional planning, resource introduction, city operation and management, and etc., in the new urbanization business chain, taking the lead to engage in the investment of quality land resources with an model featuring steady and measurable fixed income return. Leveraging the opportunities for intensive cooperation with local governments as well as the strong background and networks of controlling shareholder, we promote various business opportunities such as industrial parks, tourism, education, asset management, and etc. At the same time, in accordance with the Company's development plans, we will optimize the investment and financing structure to cope with the various business development funding needs with the hope of bringing lucrative return to shareholders.

In the sector of urbanization investment, our business model is mainly fixed income investment. The Company has participated in various kinds of urbanization projects through equity or fund investment, such as the shanty-town renovation and improvement, PPP projects. In these investments, the Company shall receive a fixed investment gain based on the amount we have invested, according to the agreement. The investment gain shall be usually included into the governments' annual fiscal budget as a credit enhancement, so that the return on our investment is with high safety and predictability.

After CDB Capital's acquisition, leveraging its nationwide network and resources, the Company has rapidly expanded such fixed income portfolio with a pattern of "low-risk and high-return". As of the end of 2016, the Company has a portfolio of RMB2.067 billion in such investment, securing a total contractually guaranteed annual return before tax of more than RMB260 million, which has contributed steady revenue and cash flow for the Company.

In the sector of downstream operation, we have chosen industrial park, education, tourism, and heath care as main downstream strategy, and fully leveraged the advantage of resources of controlling shareholder. In May, 2015, the Company has entered into strategic cooperation agreement with Hua Xin Investment Management Co, which is the sole GP of IC Fund. This is beneficial for the Company to expend the resources in industrial park. In October, 2016, the Company announced that it would cooperate with Beijing Vanke to develop the projects in Junzhuang, which is in Mentougou District in Beijing. By combining the worldwide partnership resources in the fields of healthcare, integrated tourism and international education established through the CDB Urbanization Strategic Alliance and the top-notch development and operation capability of Vanke in China, the Project is positioned to be developed into Beijing's integrated tourism and consumption destination showcase project.

Fully supported by the resource advantages of CDB and CDB capital, and on the basis of the steady and good return from the fix income investment, we shall intensively explore urban development investment opportunities along the downstream industry chain, combining with low-cost financing channels, integrate a wide range of resources and optimize investments and structures to promote sustained growth in the Company's assets and results.

OUR MAJOR PROJECTS

Shanghai Luodian Project (72.63% equity interests)

- Total site area of 6.80 sq. km.
- Located at Baoshan District, connected to downtown Shanghai by metroline #7 (with two stops at Luodian), around 30 minutes ride to downtown Shanghai
- Selected as permanent site to co-host the National Urbanization Forum with the National Development and Reform Commission of the PRC

Beijing Junzhuang Project in Mentougou District (50%)

- The Mentougou District is located in the western part of Beijing and is 98.5% covered by mountains. The mountains in the district are connected to Xiangshan (香山), a renowned national tourism destination, comprising an integral part of the Western Beijing ecological conservation area. Located in the eastern part of the Mentougou District and approximately 30 km. from Beijing city centre, Junzhuang Town has a total site area of 34 sq. km. and is a strategically important part of the Mentougou District's industrial layout.
- In accordance with different long-term development positioning, the Project is divided into two zones, namely, the Eastern Zone and the Western Zone. The site area currently under planning is approximately 414 hectares (4.14 million sqm.), among which the site area of the Eastern Zone is approximately 270 hectares (2.7 million sqm.), and is envisaged to develop into an integrated eco-tourism zone featuring a wide mix of elements such as leisure and resort, eco-conservancy and healthcare, parent-child experience and education, as well as industrial park for the creative industry; the Western Zone has site area of approximately 144 hectares (1.44 million sqm.) and is planned for shanty town reformation, primary land and subsequent developments.
- The Group and Beijing Vanke Enterprises Co. Ltd. has jointly established a project company (we are entitled to 50% equity share), which shall be granted exclusive right to develop and operate the Eastern Zone of the Project. The project company shall succeed contracting the agricultural land (農用地) from the relevant village community economic cooperatives. In addition, using a model known as the "Village-Corporate Collaboration" with the co-ops, the project company shall also develop and operate the construction land collectively owned (集體建設用地) by the relevant village community economic cooperatives.

OUR MAJOR PROJECTS

Nanjing Yuhua Project

- Total site area of 21.4 sq. km.
- Two Bridge Area (from Tiexin Bridge to Xishan Bridge) is located in the center of Yuhuatai District, the Software Valley, which will become the CBD of the district in the future. It undertakes an important responsibility for connecting the integrated development in the southern part of Nanjing
- Innovative business mode employed in the project: fixed investment return in primary development plus a linkage of primary development and secondary develop, which embodies the resources advantages of, and the great support from, CDB capital
- Yangtze River Delta region is one of the regions in China which has the greatest potential and vitality in the economic development, also is one of the target areas into which the Group will expand its business, and full of a large number of construction opportunities in urbanization projects, which provides an opportunity for the Group to diversify its investment.

Yangzhou Airport Project

- An industrial new town established around Yangtai international airport, which is located in Jiangdu district, Yangzhou city. Yangtai airport has been approved by the State Council as the national first-class port and currently it has more than 20 domestic large and medium-sized cities air routes and several international routes, including South Korea, Taiwan, Hong Kong and various regions in the southeast Asia.
- The region has a planning control area of 77 sq. km., which is located in the middle of Jiangsu province, an important geographical location, exposed to the double radiation from Shanghai and Nanjing metropolitan circle, and covering over 10 million people. It enjoys a very convenient transportation in the region, where airport, highway, port and railway have been built, and it enjoys an integration synergy advantage in terms of "port, road and airport". The region will focus on the development of 4 industries, namely, airport logistics, electronic information, general aviation, high-end business services, the establishment of airport economic industry center and the creation of a model for the development of industry linked with city.

Shenyang Lixiang Project (90% equity interests)

- Site area of 20.55 sq. km.
- Located at Dongling District, close proximity to Shenyang city centre and adjacent to Shenyang Taoxian International Airport
- In the Dahunnan area where is planned to be transformed into "New Centre, New Landmark, New Hub and New Energy" under the Government's strategic plan; host of the 2013 National Games

OUR STRENGTHS & STRATEGIES

Strategic Positioning

- CDB and CDB Capital's sole listed and operation platform in new urbanization.
- Integrate the network and resources of CDB Capital in the segment of urbanization, and build a leading national urban development and operation group covering financing investment development and operation.

Business Strategy

- Leverage the close relationship between CDB and CDB Capital and government and their huge customer resources, choose high quality project across the country, improve the quality of the Company's assets and improve profitability.
- Maintain a steady growth in the portfolio of fixed return investment, and to achieve stable revenue and cash flow on top of good control of investment risk.
- On top of urbanization investment, select region and partners nationwide with caution, and expand downstream operations. Provide high-quality township facilities to people in the region and enhance the region's business value.
- Achieve decent portfolio of "urbanization investment" and "downstream operation."

Financing Strategy

- Fully leverage the advantage of CDB and CDB Capital in the field of credit background, and build the Company's cross-market financing channel.
- Further improve the Group's financial strength by various financing methods on projects.
- Benefiting from various operations of the listed platform in capital market, increase the Company's leverage, which will enhance return on equity.

Core Competitiveness

- Continuously supplement and improve the Group's organization structure with CDBC's management expertise.
- Rapidly accumulate external resources such as new town development alliance and completion of joint projects.
- Standardize and systematically enhance project flows, accumulate relevant knowledge and experience.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Heqiang *(Chief Executive Officer)*
Ms. Yang Meiyu
Mr. Ren Xiaowei
Mr. Shi Janson Bing

Non-executive Directors

Mr. Wei Wei *(Chairman)*
Mr. Zuo Kun *(Vice Chairman)*
Mr. Li Yao Min *(Vice Chairman)*
Mr. Xie Zhen

Independent Non-executive Directors

Mr. Henry Tan Song Kok
(Lead Independent Non-executive Director)
Mr. Kong Siu Chee
Mr. Zhang Hao
Mr. E Hock Yap

AUDIT COMMITTEE

Mr. Henry Tan Song Kok *(Chairman)*
Mr. Zhang Hao
Mr. E Hock Yap

NOMINATION COMMITTEE

Mr. E Hock Yap *(Chairman)*
Mr. Henry Tan Song Kok
Mr. Kong Siu Chee

REMUNERATION COMMITTEE

Mr. Kong Siu Chee *(Chairman)*
Mr. Henry Tan Song Kok
Mr. E Hock Yap

COMPANY SECRETARY

Mr. Kwok Siu Man

BUSINESS ADDRESS

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LEGAL ADVISORS

Herbert Smith Freehills
Freshfields Bruckhaus Deringer
Winston & Strawn LLP
Harry Elias Partnership LLP
WongPartnership LLP
Zhong Lun Law Firm
Zhonglun W&D Law Firm
Global Law Office
City Development Law Firm
City Development Law Firm (Beijing)

INDEPENDENT AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong SAR
Auditor's Date of Appointment: 20 November 2007
Partner-in-charge: Mr. Kelvin Leung Shing Kit
Partner-in-charge since: 21 September 2016

STOCK EXCHANGE LISTED

The Stock Exchange of Hong Kong Limited
Stock Name: ChinaNewTown
Stock Code: 1278

PRINCIPAL BANKERS

CITIC Bank International Limited
The Agricultural Bank of China
United Overseas Bank Limited
Shanghai Pudong Development Bank
Bank of Communication Co., Ltd.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of China New Town Development Company Limited, I present the Chairman Report of 2016.

Wei Wei
Chairman of the Board

In 2016, China experienced important economic reforms and transformation by launching a fully-fledged supply-side reform. The Chinese economy saw a slower but stable, positively biased performance. Economic activities moved forward within a reasonable range with quality and efficiency both improving.

As a listing and operation platform of CDBC in urbanization, China New Town Development Company Limited (hereinafter referred to as the "Company") always maintains in-depth insight and acute perception about industrial development under the changing economic conditions. With industry experience and resource strengths of our controlling shareholders, the Company was committed to conducting reforms at the beginning of 2016 after detailed preliminary research. To become an industry leader that represents an integrated brand operator of the CDB system with long-term and reasonable profits derived from the urbanization development, the Company expressly set the development of integrated downstream urbanization products as the business orientation.

Vigorously aim to serve and promote community development under national policies

New-type urbanization is constantly emphasized as a significant driver to boost economic development. At the beginning of 2016, Mr. Xi Jinping, as the President of China, pinpointed urbanization as a necessary part of modernization. The government has made steady efforts to promote urbanization in various aspects, such as peasant workers' integration into the town, development and cultivation of small to medium cities and featured towns, promotion of city's functions, new rural constructions driven by urbanization and speed up in reform of core areas. These efforts have been specified into 20 detailed aspects in order to proceed. All these activities have provided opportunities for investments in urbanization and related areas such as medical, education, tourism, etc.

CDB has always been vigorously supporting urbanization as its important business. In 2015, CDB granted loans of RMB750.9 billion with shantytown transformation, and such type of loans increased to RMB972.5 billion by 2016. More importantly, CDBC vigorously develops new-type urbanization projects as one of its five business segments, and considers improving the lifestyle quality of residents as an important objective for its business development. By firmly pivoting on the historical phases and epochal features of national economic and social development, CDBC proactively serves the supply-side structural reform, while vigorously forging ahead under national strategic policies.

Strive to build a listed platform of urbanization in CDBC

Upon the acquisition of China New Town Development Company Limited, CDBC has been committed to transform the Company into the only listed platform of professional urbanization construction and operation. For more than three years, the Company completed devising new business strategies, optimizing and restructuring assets, and expanding new financing channels, thus resulting in improvements in our financial conditions. By the end of 2016, the Company accumulated RMB2,067 million of fixed income investment portfolio with respect to urbanization projects with annual pre-tax investment return of more than RMB260 million. In 2016, the operating income of the Group's continuing operations was RMB303 million, and total profit attributable to the equity holders of the parent was RMB323 million.

While striving for successful business operations, CDBC and the Company begin to stress greater importance to capital market and offer returns to the support of our shareholders in 2016. Following the management's due consideration, the Company announced a voluntary delisting from the Official List of Singapore Stock Exchange Securities Trading Limited on 18 October 2016 while maintaining the listing status in The Stock Exchange of Hong Kong Limited (the "HKEx"), heralding our initiative to build our listed platform. The main purpose of delisting is that dual listing no longer satisfies further business development of the Company. Besides, Hong Kong market suits the China-based business structure of the Company, as circulation and trading of shares becomes increasingly linked to the Mainland China market, which is also conducive to identifying investment institutions. Meanwhile, this will generate better liquidity, help reduce operating costs and allocate management resources in a more reasonable manner.

The Company's voluntary delisting proceeded by way of general offer at an offer price of S$0.07, representing a premium of approximately 18.6% of the trading price quoted in the market on the Last Undisturbed Trading Day. The market performance responded positively to the announcement of our voluntary delisting, as our stock price in Hong Kong and Singapore rose near to the offer price upon resumption and basically remained slightly higher than the offer price afterwards. Such active trading also proved the market acceptance of our deal.

The resolution of delisting was approved at the extraordinary general meeting of the Company (the "EGM") with 98.2% of the voting shares at the EGM voted for the resolution on 17 January 2017. In the end, approximately 120 million shares were tendered for cancellation, representing approximately 5.0% of the applicable shares. This also demonstrated that the public shareholders hold confidence in seeking common development with the Company by holding the shares of the Company on a long-term basis. Official delisting of Singaporean shares took effect on 17 February 2017, and trading of shares on the HKEx commenced on 6 March 2017.

This is the first market operation that we initiate after the acquisition, which demonstrates to the market the CDB system's resolution to forge a powerful listed platform with systematical advantage in resources. To transform the Company into a premier, powerful, and large enterprise with the ability to generate sustainable investment returns for our shareholders and investment institutions, CDBC will provide long-term support for the sustainable development of the Company by enhancing collaboration with the Company on resources and business segments.

Successfully transform business model with outstanding performance under clear strategy and ambitious reform

In 2016, the Company made important achievements by accelerating its development, actively transforming its business structure, and improving its performance. In accordance with the development strategy of "primary land development + downstream operation development" and the asset allocation planning, the Company strengthened its strategic expansion of premier downstream businesses amid its continued fixed income investments. Leveraging the CDB system's nationwide network, brand, and advantages of resources, our pipeline extended to education, tourism, business parks, and other sectors in economically developed regions, including the Yangtze River Delta region, South China, and Central China. Therefore, these moves laid a solid foundation for continued development of subsequent projects. Particularly during the second half year of 2016, the Company achieved major breakthroughs in establishing its premier asset portfolio and integrated consumption business in core cities, which is reflected in our collaboration with Beijing Vanke on the Beijing Junzhuang Town Project as part of our integrated tourism and consumption projects in the premier regions in Beijing.

Build a listing company brand of CDB system based on Hong Kong market by removing historical burdens

In 2016, the Company made major progress in asset disposal and restructuring, lightening our burdens and paving the way for further advancement. By the end of the year, the Company basically completed settlement of disposal assets, fully exiting from the non-core projects. Considerable cash recovered were applied to new investments, further optimizing the Group's asset structure.

Despite our positive performance and progress in 2016, we will embrace challenges and opportunities in 2017. We will stick to our strategy of integrating investments and operations, and CDBC will utilize its own resources, networks, and funding advantages to strengthen collaboration with the Company on business development. In this way, CDBC will assist the Company in expanding projects and brands in the downstream businesses, including education, tourism, business parks, and healthcare.

In 2017, the Company will focus on developing the platform on the HKEx upon completion of delisting in Singapore, continue our direction and goal of achieving the propositions of our shareholders with the Board and the management team, and reward our shareholders by constantly delivering our improved performance and stable distribution of dividends.

Finally, on behalf of the Board, I would like to thank our shareholders, investors, financial institutions and business partners for their continuing support to the Company in the past year, and to extend my sincere gratitude for the hard work of all directors, management and employees. We will, as always, continue to strive to create long-term benefits and value for our respected shareholders.

CEO STATEMENT

Dear Shareholders:

2016 marked as an important year, as China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") expedited its development, vigorously achieved our business transformation, and improved our performance. As stated in the previous annual report, the management of the Company would be committed to improving business operations in 2016. By leveraging on the powerful resource pipeline and strong systemic advantages of our controlling shareholder based on the business development strategy devised at the beginning of the year, we achieved positive and significant progress in numerous areas, including business deployments, investments and financing of new projects, capital market operations, and asset restructuring. As a result, the Company's financial indicators significantly improved for the year. In 2016, the operating income of the Group's continuing operations was RMB303 million, and total profit attributable to the equity holders of the parent was RMB323 million.

In 2016, the Group's business operations closely pivoted on our development strategy of "urbanization investment + downstream operation", thus delivering outstanding results. Throughout the year, we have added 28 projects to our pipeline with amount of approximately RMB5.1 billion, and making 12 investment decisions with amount of nearly RMB2 billion. Our project pipeline included urbanization investment and downstream operating, laying a solid foundation for constant investments by the Group in subsequent periods.

CONSTANTLY EXPAND URBANIZATION PROJECTS UNDER OUR FIXED INCOME INVESTMENT PORTFOLIO, WHICH WILL GENERATE STABLE CASH FLOW

As an important business segment, urbanization projects under our fixed income investment portfolio will generate noticeably stable cash flow. By capitalizing on the networks, brands, resources, and other advantages of the CDB system under the unfavorably downward economic conditions nationwide, the Group managed to maintain comparatively stable investment returns, and focused on enhancing the management of investment risks. By the end of 2016, the Group's urbanization projects under our fixed income investment portfolio amounted to a total of RMB2,067 million, with annualized investment return of more than RMB260 million before tax for the Group. The average annualized investment return rate before tax was over 12%.

By utilizing the advantageous resources and experience of CDBC (our controlling shareholder) in the urbanization fund management, the Company at the inception of 2016 announced that it as the fund manager established the RMB 5-billion New-Type Urbanization Development Fund in conjunction with CDB Jingcheng (Beijing) Investment Fund Company Limited and CIB Wealth Management Co., Ltd. so as to finance our investment portfolio in a more efficient manner, as well as enhancing the leveraged investment return rate. The Group undertook to contribute RMB1.05 billion. This is mainly used in urbanization projects under our fixed income investment portfolio. Besides improving our leveraged investment return rate, the Group was able to involve in various types of urbanization investment projects with less funding, including shantytown transformation projects and various PPP projects.

Liu Heqiang
CEO

ACTIVELY BUILD OUR DOWNSTREAM OPERATING BUSINESS

Taking into consideration China's economic development, the propositions from the community and residents, industrial outlook, and other factors, the Group determined our overall strategy for investments in downstream operating assets under urbanization projects, and identified education, tourism, and industrial parks as business sectors with development potential at the beginning of 2016. These sectors are in line with the demand of local government and residents. Therefore, we fully utilized the business network and resource strength of the Company and the CDB system to develop our project pipeline.

Over one year of hard work and exploration, the Group has successfully built a diverse project pipeline that covers education, tourism, and industrial parks in such economically developed regions as the Yangtze River Delta region, South China, and Central China, laying a solid foundation for subsequent transformation and implementation of such project pipeline.

In particular, the Group announced collaboration with Beijing Vanke on the Beijing Junzhuang Project in Men Tougou District last October, which is a large integrated development project that is rarely found in Beijing Downtown and a key small town for development in Beijing. We aim to develop this project into an integrated ecotourism business park encompassing leisure-based vacations, medical treatment and nursery, parent-child bonding education, creativity industries, etc. The Beijing Junzhuang Town Project has a total site area of 414 hectares, including development and operating rights for the eastern area which is over 2 sq. km.. In the future, we will be permitted to participate in projects related to approximately 1.44 sq. km. of shantytown transformation, primary land development, and primary and secondary synergistic development. The cooperation is between the Group, as a domestic integrated urbanization developer, and Vanke, as a leading property developer. This cooperation has displayed our resolution and strength to build landmark products that integrate with tourism and nursery in the premier region in China. In addition, the Group accumulated a premier assets in core city via this project, gradually stabilizing our ideal revenue portfolio of "investments + operations".

In the future, the Group is expected to replicate the model of the said project to such cities or regional centers in economic zones that are economically active with the fastest growth, while continuing collaboration with powerful business partners to seek opportunities to develop large and premier land.

LIGHTEN OUR HISTORICAL BURDENS TO FORGE AHEAD WITH RESTRUCTURED ASSETS

Prior to the acquisition by CDBC, the Group already clarified its strategy to dispose and restructure assets that are not in line with our core development so that our financial resources and management efforts will be concentrated on developing new businesses, as a result of which, the Master Disposal Agreement was entered into with SRE Investment Holding Limited.

In 2016, the Group made progress in its asset restructuring following our active commitment, and basically completed such restructuring. Upon our successful settlement of the Shanghai Disposal Asset in April 2016, the Group basically completed asset disposal at the end of the year with ample fund recovered. By the end of 2016, the Group had cash and bank balances of RMB2.35 billion. Following completion of asset disposal, the Group's gearing ratio (i.e. net debt divided by the sum of capital attributable to equity holders and net debt) dropped to -6.44%, thus significantly improving our balance sheet structure. With historical burdens lightened, the Group in the future will stay more focused on expanding its core businesses.

CONCENTRATE ON LISTING PLATFORM IN HONG KONG AFTER DELISTING FROM SINGAPORE

As a listed company, the Group always stresses great importance to the propositions from our shareholders and the optimization of our platform in the capital market. The dual listing structure no longer suits our future development based on our ongoing business. After due careful consideration, the Company announced a voluntary delisting from the SGX-ST by way of selective share buyback last October, which is offered to the qualified public shareholders at a price of S$ 0.07 per share. Shareholders who have no intention to maintain their interest in our shares may elect to accept the tender and deregistered their names from the registry of shareholders, while shareholders in Singapore who do not tender their shares will continue to trade their shares in Hong Kong. With our delisting announced, the share price of the Company quickly soared upwards to and surpassed the tendered price following the extensive market attention.

In January 2017, the resolution of delisting was approved by public shareholders at the extraordinary general meeting of the Company (the "EGM") with 98.24% of the voting shares at the EGM voted for the resolution and delisting took effect on 17 February 2017. According to the results of the share buyback, it is particularly noted that only a small number of shareholders accepted the share buyback offered by the Company, and the majority of Singaporean shareholders elected to maintain and trade their shares on the HKEx. It fully demonstrated that our shareholders believe in the Company and its bright future development and look forward to our future development.

Upon completion of the delisting in Singapore, the Group will become sole listed in Hong Kong. It is helpful to concentrate share trading, save listing compliance cost and reasonably allocate management resources in the future. Meanwhile, the Hong Kong market suits the China-based business structure of the Group, and therefore the Group wishes to avail this opportunity to focus on listing platform in Hong Kong, increase the competitive strength of our core businesses, and enhance the attractiveness to our investors.

OUTLOOK FOR 2017

While management dedication to improve performance of the Group certainly was crucial to the developments of the Group in 2016, on the other hand the Group's breakthroughs were inseparable from the strategic resources of the CDB Group as a whole. This fully embodies the strategic importance of the Group in CDBC's new-type urbanization business segment.

On top of our strong foundation in 2015 and our improved business optimization in 2016, looking ahead into 2017, the management commit themselves to higher performance standards, both in terms of implementing strategic planning and performing the execution. In the short to medium term, the Group plans to continue the core development strategy of the Group for the purposes of constantly enhancing our performance and profitability, and generating more rewards to our shareholders along with our long-term advancement. In the long run, the Group will firmly stick to the national policy and development strategies, expand business that are to promote the municipal resources and ecosystem development, and build CDBC's core listing and asset operation platform.

SPECIFICALLY:

1. Facilitate land sales in Shanghai to generate operating revenue

Currently, land development for sale in the Company's balance sheet is RMB1,562 million, mainly including our economic interest in proceeds derived from land sales under traditional projects (which is mainly Shanghai Luodian Project and so on). To facilitate the remaining land transfer under the Shanghai Luodian Project, the Company has been actively implementing various conditions regarding land transfer, including land planning adjustments, land transfer planning, etc. over the past years. As a result, positive progress has been made. In 2017, the Company will strive to facilitate that the remaining portion of residential and commercial parcel available for sales in the Shanghai Luodian Project begin to be sold, enabling the Company to record satisfactory cash flow income for our major business by realizing the proceeds from land sales.

In addition, the Group also plans to continue optimizing existing projects in the non-core regions. By realizing cash from those assets with a long-term investment cycle or an impracticable position, we will reallocate cash to businesses that generate more value.

2. Stabilize our fixed income investment portfolio, and carry out our stable dividend policy

Fixed income investment is an important business segment of the Group since the acquisition, and by utilizing CDB system's unique experience, networks, and government cooperation during urbanization investment, the Group can systematically expand investment and improve return. The Group will maintain a stable portfolio of fixed income investment, enhance investment return by leverage on top of risk management, and create stable cash return in 2017.

On top of that, the Group plans to establish a reasonable and stable dividend policy that constantly rewards our shareholders.

3. Extensively explore business opportunities of joint development and operations in such industries as education, medical and healthcare

In 2017, the Group will vigorously promote the establishment of development and operation projects involving such premier downstream sectors as education, business parks, and tourism through our existing project pipeline. During such promotion, the Group will fully utilize the network resources and incubation advantages of our controlling shareholder, as well as partnership with industry leaders, to bolster the position and role of resource integration, which will generate considerable operating revenue from the downstream businesses and effectively replenish revenue of our fixed income investments. With our partnership network and project portfolio expanding, we believe this value-added strategy will generate greater values to our shareholders.

4. Build CDBC's listing and asset operating platform

Within three years following the acquisition, the Group completed improving and disposing assets with tremendous efforts, and optimized our project pipeline and asset structure. As a result, we improved our financial results and accumulated a rich and diverse project pipeline, providing a solid foundation for the sustainability of our businesses. Therefore, we believe it is vital for the Group to achieve its leapfrog development in 2017. On top of our constant business growth, the Group will proactively operate our business in a diverse manner, develop CDBC's listing and operating asset platform, and strive to build the position and brand of the CDB system in the capital market.

Looking into 2017, the management is confident that the Group will continue to leverage our advantages of resources and overseas investment and financing platform in 2017. Apart from constantly enhancing our own vitality, we will unite as one in good faith and with concerted efforts to build an outstanding powerhouse to provide leading domestic urbanization products, continue improving our results and performance, and bring greater returns to our shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Company and its subsidiaries (the "Group") of the last five financial years, as extracted from the published audited financial statements and reclassifies as appropriate, is set out below.

	For the year ended 31 December				
RMB'000	**2016**	2015	2014	2013	2012
Continuing operations					
Operating income	**303,088**	210,837	113,214	641,055	691,373
Revenue	**244,572**	163,962	64,583	608,256	689,994
Other income	**58,516**	46,875	48,631	32,799	1,379
Operating expenses	**(334,524)**	(182,941)	(829,225)	(629,959)	(562,038)
Cost of sales	**(46,164)**	(12,445)	(651,195)	(353,552)	(430,764)
Selling and administrative expenses	**(126,207)**	(97,745)	(91,260)	(143,142)	(81,851)
Finance costs	**(104,595)**	(69,230)	(85,923)	(114,730)	(40,329)
Other expenses	**(57,558)**	(3,521)	(847)	(18,535)	(9,094)
Operating (loss)/profit	**(31,436)**	27,896	(716,011)	11,096	129,335
Gain on disposal of subsidiaries and joint ventures	**103,444**	60,378	616,091	–	–
Share of loss of a joint venture	**(1,204)**	(51)	–	–	–
Profit/(loss) before tax from continuing operations	**70,804**	88,223	(99,920)	11,096	129,335
Income tax	**(3,651)**	5,254	44,941	(33,282)	(39,369)
Profit/(loss) for the year from continuing operations	**67,153**	93,477	(54,979)	(22,186)	89,966
Discontinued operations					
Loss after tax for the year from discontinued operations	**(34,065)**	(125,359)	(154,191)	(237,077)	(44,233)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	**301,277**	67,683	3,990	–	–
Profit/(loss) for the year	**334,365**	35,801	(205,180)	(259,263)	45,733
Non-controlling interests	**11,711**	(29,340)	(143,776)	(46,271)	31,292
Profit/(loss) attributable to equity owners of the parent	**322,654**	65,141	(61,404)	(212,992)	14,441
Assets and liabilities					
Total assets	**8,111,971**	10,885,616	9,812,131	11,563,384	11,761,087
Total liabilities	**3,834,104**	7,001,194	5,964,695	8,584,100	8,520,540
Total equity	**4,277,867**	3,884,422	3,847,436	2,979,284	3,240,547
Equity attributable to equity owners of the parent	**3,913,611**	3,590,957	3,525,816	2,457,188	2,670,180
Non-controlling interests	**364,256**	293,465	321,620	522,096	570,367
Total equity	**4,277,867**	3,884,422	3,847,436	2,979,284	3,240,547

FINANCIAL REVIEW

OPERATING RESULTS

Revenue

Our results from operation mainly include fixed-income investments in urbanization projects, sharing of land sale proceeds in some projects and downstream operations in urbanization. In 2016, the Group recorded revenue of RMB245 million, increased by 49.2% as compared to that of the year ended 31 December 2015 (the "Year 2015"), primarily because investment gain in urbanization projects in 2016 was RMB206 million, increased by 99.6% as compared with that in the last year. In 2016, we recorded revenue of RMB21.86 million related to land development. This was due to the facilities fee earned at Shanghai Golden Luodian Development Co., Ltd. ("SGLD"). Besides, sales of goods from CDBC Modern Agricultural Investment Management (Beijing) Co., Ltd. ("CDBC Beijing Agricultural") and CDBC Chengdu Agricultural Development Co., Ltd. ("CDBC Chengdu Agricultural") recorded RMB20 million.

Other income

In the year of 2016, other income amounted to RMB58.52 million, an increase of RMB11.64 million as compared to that of Year 2015. It was mainly due to an increase of net fair value gain on financial assets of RMB7.31 million as compared to that of Year 2015.

Cost of sales

In the year of 2016, cost of sales amounted to RMB46.14 million, 2.7 times more than that of Year 2015, mainly because the cost of goods sold from CDBC Beijing Agricultural and CDBC Chengdu Agricultural recorded RMB17.07 million. Besides, we recorded RMB29.1 million cost of land development. This was due to the corresponding cost of the facilities fee including cost to rectify certain facilities for SGLD.

Selling and administrative expense

In 2016, selling and administrative expenses increased by RMB28.46 million as compared to that of Year 2015. It was mainly due to an increase of staff costs of RMB3.9 million at CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town"), CDBC Beijing Agricultural and CDBC Chengdu Agricultural, an increase of office rental expenses of RMB6.7 million, and an increase of intermediary service charges of RMB13.6 million.

Other expenses

In 2016, other expenses of RMB57.56 million increased by RMB54.04 million as compared to that of Year 2015. Such increase in expenses was mainly due to net loss on disposal of the properties and related prepaid land lease payment of SGLD of RMB38.42 million, and an impairment on other receivables amounting to RMB13.15 million.

Finance costs

In 2016, the Group recorded net finance costs of RMB105 million, including interest expenses on bank and other borrowings of RMB26.14 million which was an increase of RMB6.36 million as compared to that of Year 2015. Such increase was mainly due to an increase in the average balance on bank and other borrowings as well as a higher bank loan rate during the year. In addition, the issuance of RMB senior guaranteed notes in 2015 resulted in interest expenses of RMB75.41 million in the year of 2016, which increased RMB25.96 million compared to that of Year 2015. In 2016, the interest expense attributed to other interest holders of CDB New Town (Jiangsu) New-type Urbanization Development Fund (the "Jiangsu Fund") increased by RMB3.05 million.

Gain on disposal of subsidiaries and a joint venture

In 2016, CDBC New Town (Changchun) Construction and Development Co., Ltd. ("CDBC Changchun"), a wholly-owned subsidiary of the Group, entered into an agreement with Changchun New Town Automobile Industry Construction Co., Ltd. ("CCJV"), and Changchun Kaida Development Co., Ltd. ("Changchun Kaida"), a subsidiary of the Administrative Committee of Changchun Automotive Economic-Technology Development Zone (the "Changchun Committee"), to sale the 50% equity interest of CCJV to Changchun Kaida for a total consideration of RMB113,538 thousand, of which RMB110,133 thousand will be paid in five years. CDBC Changchun will receive annual interest of 10% pre-tax on its uncollected considerations from Changchun Kaida during the period. As a result, the 50% equity interest in CCJV was derecognised and a loan and receivable of RMB110,133 thousand with annual interest rate of 10% pre-tax was recognised. CCJV is no longer a joint venture thereafter. The equity carrying amount has been written down in previous financial years. Accordingly, it recorded an disposal gain of RMB103,444 thousand in 2016. In 2015, the Group disposed 30% of equity interest in CCJV, resulting in a gain of RMB60.38 million.

Taxation

In the year of 2016, the Group recorded an income tax of RMB3.65 million, such income tax mainly attributable to: (i) current income tax of RMB2.18 million; (ii) deferred tax asset credit of RMB11.27 million; and (iii) withholding tax of RMB12.75 million.

Financial Position

Investment in a joint venture

The balance as at 31 December 2016 increased by RMB38.70 million as compared with the balance as at the end of 2015, mainly because the Group held 50% equity of Beijing Guowan Real Estate Co., Ltd. ("Guowan") this year. CDBC New Town and Beijing Vanke Enterprises Co. Ltd. ("Vanke BJ") entered into an agreement for the overall development of Mentougou District Junzhuang Town Project, pursuant to which Guowan was established (please refer to the announcement of the Company dated 26 October 2016). Besides, the Group has changed investment pattern of CCJV. The Group's original 50% equity interest in the equity investment of CCJV has been changed to fixed-income debt investment. After the change, the Group no longer held the equity interest of CCJV.

Loans and receivables (non-current assets)

The 2016 year-end balance of loans and receivables (non-current assets) amounted to RMB1,067 million, an increase of RMB377 million as compared with the balance as at the end of 2015. This was due to the new investment in loans and receivables of RMB300 million to Yangzhou Airport New Town Project, RMB150 million to Qinhuangdao Project, RMB16.27 million to Changchun Pipeline Project, fixed-income debt investment of principal amount of RMB110.13 million of CCJV, and the Group's investment into Danyang Public Private Partnership amounting to RMB200 million was reclassified into loans and receivables (current assets).

Financial assets at fair value through profit or loss

The balance as at 31 December 2016 increased by RMB749.8 million as compared with the balance as at the end of 2015, mainly because of CDBC New Town contributed capital of RMB19.50 million towards CDB (Beijing)-BOCOMM New-Type Urbanization Development Fund (the "Urbanization Fund") and according to the result of the valuation, a fair value gain of RMB10.23 million was recorded as other income. In 2016, CDBC New Town purchased wealth management products issued by Industrial and Commercial Bank of China and Bank of Communications for short term cash management, amounting to RMB720.063 million as at 31 December 2016.

Property, plant and equipment

The balance as at 31 December 2016 decreased by RMB30.56 million as compared with the balance as at the end of 2015, mainly because the disposal of properties of SGLD.

Prepaid land lease payments

The balance as at 31 December 2016 decreased by RMB9.10 million as compared with the balance as at the end 2015, mainly because the corresponding land use right of the disposal of properties of SGLD.

Other receivables

The balance as at 31 December 2016 decreased by RMB345 million as compared with the balance as at the end of 2015, mainly due to the decrease of net disposal consideration of RMB311 million compared with the end of the last year, the decrease of balances due from the disposal projects of RMB159 million, and the increase of due from a joint venture of RMB94.21 million.

Loans and receivables (current assets)

The 2016 year-end balance of loans and receivables amounted to RMB1 billion. This was due to the Group's investment of RMB300 million into Danyang Zhongbei College Development Project, RMB200 million into Zhenjiang Hi-tech District Affordable Housing Project and RMB300 million into Changzhou New-Tech Economic Development Zone for Urbanization Renovation Project. Besides, the Group's investment into Danyang Public Private Partnership amounting to RMB200 million was reclassified.

Other current assets

The balance as at 31 December 2016 was increased by RMB6.28 million as compared with the balance as at the end of 2015. Such increase was mainly due to the Group's acquisition of CDBC Chengdu Agricultural which includes the agricultural and sideline products.

Senior guaranteed notes

The balance as at 31 December 2016 increased by RMB3.711 million as compared with the balance as at the end of 2015, due to the measurement at amortized cost. The interest expense adjustment on the senior guaranteed notes during the Year was RMB3.513 million, resulting in an increase in the balance of RMB1,294 million categorized as non-current liabilities.

Interest-bearing bank and other borrowings (non-current liabilities)

The balance as at 31 December 2016 was RMB276 million, decreasing RMB33.5 million as compared with the balance as at the end of 2015. This was mainly due to a new loan amounting to RMB15 million during the Year, and reclassification of RMB50 million long-term borrowings into the interest-bearing bank and other borrowings (current liabilities).

Interest-bearing bank and other borrowings (current liabilities)

The balance as at 31 December 2016 increased by RMB156 million as compared with the balance as at the end of 2015. This was mainly due to the loan from CDBIH, a related party, of RMB321 million, a repayment of a loan of RMB200 million, and a loan of RMB50 million reclassified from interest-bearing bank and other borrowings (non-current liabilities).

Trades payables

The balance as at 31 December 2016 was reduced by RMB35.48 million as compared with the balance as at the end of 2015. This reduction was mainly attributable to the payment of trade payables balance recorded at the end of 2015 during 2016, which mainly included the payment of relocation costs of SGLD amounting to RMB42 million.

Other payables and accruals

The balance as at 31 December 2016 was decreased by RMB59.78 million as compared with the balance as at the end of 2015. This movement was mainly due to: (i) the decrease of amounts due to related parties of RMB28.78 million and balances due to entities disposed of RMB67.31 million; (ii) an increase of payable for intermediary service charges of RMB7.99 million; and (iii) as Mainland China fully implemented replacing business tax with value-added tax in the year 2016, the balance of value-added tax payable increased by RMB10.42 million as the operation.

Financial liabilities at fair value through profit or loss

The balance as at 31 December 2016 increased by RMB119 million as compared with the balance as at the end of 2015, mainly because of the contribution of interest of Jiangsu Fund by CIB Wealth Management Co., Ltd. as the senior-tranche limited partner, and CDB Jingcheng (Beijing) Investment Fund Company Limited as the intermediate-tranche limited partner.

Cash and bank balances

Overall, cash and cash equivalents (excluding restricted cash) for the year increased by RMB976 million as compared with the balance as at the end of 2015, with a total balance of RMB2.35 billion as at 31 December 2016, mainly due to net operating cash inflow of RMB316 million, net investing cash inflow of RMB863 million, and partly offset by net financing cash outflow of RMB222 million during the Year.

Gearing ratio (defined as net debt/the sum of shareholders equity and net debt) as at 31 December 2016 was -6.44%, which decreased dramatically as compared with 9.25% as at 31 December 2015, mainly because the Group received the consideration of certain Disposal Assets of RMB1.315 billion and the cash and bank balance increased.

Discontinued operations

On 10 October 2013, the Company, CDBIH and SRE Investment Holding Limited ("SREI", the then controlling shareholder of the Company) entered into share subscription agreement (the "Subscription Agreement"), pursuant to the terms and conditions of which CDBIH agreed to subscribe for 5,347,921,071 new shares of the Company (the "Subscription"). The Subscription had been completed on 28 March 2014 and the relevant shares were issued.

As a schedule of the Subscription Agreement, the Company and SREI entered into the Disposal Master Agreement, pursuant to the terms and conditions of which the Company agreed to dispose the Disposal Assets, and SREI agreed to purchase the Disposal Assets at a total consideration of RMB2,069,832,594, the relevant consideration of which shall be paid in several cash instalments (the "Assets Disposal").

The Disposal Assets are classified as assets held for sale in the financial statements and deemed discontinued operations of the Group. In the first half of 2016, the Company entered into a formal agreement regarding the disposal of a number of Disposal Assets (the "Disposal Agreement") with SRE Group Limited ("SRE") and SREI, certain Disposal Assets held by SGLD will be disposed to SRE, which is consistent with the terms and conditions, and the consideration is RMB1.315 billion. As at 31 December 2016, the Group has received the whole consideration of the Disposal Agreement. As the relevant conditions have been satisfied, the Disposal Assets are derecognized from the balance sheet, and the Group recognized an after-tax gain of RMB301 million in 2016.

Important events affecting the Group since the end of the Year

During the Year, the overall national economic performance remained reasonable in 2016 with quality and efficiency improving. Benefitting from the national supply-side reform and policies, the domestic market saw all macroeconomic data improving at a certain level. According to information released by the National Bureau of Statistics regarding national economic performance during 2016, the urban population continued improving to 57.35% of the total population (i.e. urbanization rate) by 1.25 percentage points as compared to 2015. In the meantime, the economic environment will embrace greater opportunities and challenges, as economic performance improved at a stable pace amid a weak economic foundation and the economic restructuring in the future. During 2016, the Group constantly persisted in the core development strategy of "investments + operations", sped up its own development and business transformation, and engaged in business strategy and planning focused on national important core cities. In addition, the Group intensified efforts to develop operational projects, enhanced its asset quality, and improved long-term investment returns.

With our active strategic deployment throughout 2016, the Company's investments of RMB2.067 billion in urbanization projects with fixed income under its investment portfolio generated annualized investment income of approximately RMB206 million before tax, contributing to a stable cash flow of the Group's investing and operating activities. Meanwhile, on top of ample and stable cash flow derived from investment projects with fixed income, the Group achieved positive improvements in many highly value-added urbanization projects that involve tourism, education, healthcare, and senior housing, which was selected at the beginning of the year. By pairing up with leading operators and brands at home and abroad, we will create a scenario of powerful alliance and mutual benefits. In October 2016, the Group announced partnership with Vanke BJ on developing the Junzhuang Town Project in Beijing, which focuses on urbanization projects that involve cultural ecology, senior housing, family vacation, and family bonding activities. These projects will be developed into landmark projects featuring the development and operations of consumer-based tourism and healthcare industry.

Amid the strategic restructuring of our new businesses and investments, the Group carried on the progress on the improvement of inventory assets, recovery of funds, and disposing historical burdens. In April 2016, the Group sold a series of disposal assets in Shanghai, and received the consideration in full. By the end of 2016, the Group have completed the assets disposal substantially.

During 2016, the Group placed greater importance on the capital market and the shareholders' propositions, and as a result announced its voluntary delisting from the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") by way of optional repurchase of its own shares on 18 October 2016. Delisting of Shares on SGX-ST, which was successfully approved at the EGM held in Singapore, took place in Singapore on 17 February 2017. Such delisting in Singapore will be conducive to cutting operational and managerial costs of the Group, rationalize resource allocation, and consolidate trading of shares. To deliver more revenue for our shareholders, the Group will constantly optimize its internal structure to accommodate the market demands.

OUTLOOK

Looking into 2017, the Group will continue to follow the national new urbanization policies, strengthen the synergistic role of our shareholder in projects related to resources and business operations, and build the platform of listing and sale of land development under the strategy of CDB. In addition, to deliver stable and constant returns to our shareholders, the Group will continue to identify and diversify the drivers for its profit growth by capitalizing on our strategically incubated project pipeline, focusing on the philosophy of "Core Cities, Core Industries", and achieving mutual benefits through integration and collaboration of advanced brands at home and abroad.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Wei Wei

Chairman and Non-executive Director

Mr. Zuo Kun

Vice Chairman and Non-executive Director

Mr. Li Yao Min

Vice Chairman and Non-executive Director

Mr. Liu Heqiang

Chief Executive Officer and Executive Director

Mr. Xie Zhen

Non-executive Director

Ms. Yang Meiyu

Executive Director

Mr. Ren Xiaowei

Executive Director

Mr. Shi Janson Bing

Executive Director

Mr. Henry Tan Song Kok

Lead Independent Non-executive Director

Mr. Kong Siu Chee

Independent Non-executive Director

Mr. Zhang Hao

Independent Non-executive Director

Mr. E Hock Yap

Independent Non-executive Director

DIRECTORS

Mr. Wei Wei,

aged 58, was appointed as a non-executive director of the Company (the "NED") and the chairman of the board of directors of the Company (the "Board") on 13 May 2016. Mr. Wei graduated from Sichuan Architecture Materials Industry College with a bachelor's degree in non-metallic minerals geology and prospecting. Mr. Wei currently is the president of China Development Bank Capital Corporation Limited ("CDBC"), a controlling shareholder of the Company. He has an extensive experience in the raw material investment and financial industry. From 2013 to present, he has been appointed as director of Large Corporate Client Department in China Development Bank Corporation ("CDB"). From 1994 to 2013, he worked at various departments of CDB, being, Business Development Department, Sichuan Province Branch and Loan Management Department. Before joining CDB, he worked at the National Raw Materials Investment Company (國家原材料投資公司).

Mr. Zuo Kun,

aged 42, was appointed as a NED and the vice chairman of the Board on 28 March 2014. Mr. Zuo holds a bachelor's degree in economics from China Institute of Finance. He currently is the vice president of CDBC, a controlling shareholder of the Company. He has an extensive experience in the investment and financial industry. He joined CDBC in 2009 and has been the vice president of CDBC since March 2011. From 2001 to September 2009, he had been working at, in a chronological order, the International Finance Bureau, Lanzhou Branch, and executive office of CDB. Mr. Zuo will be responsible for the duties in the absence of the chairman of the Board and the execution of the Group's business strategies and plans.

Mr. Li Yao Min,

aged 66, was appointed to our Board on 11 January 2007 and has been the executive vice chairman of our Company since 1 April 2007. Mr. Li was previously appointed as co-vice chairman on 1 December 2008 and was subsequently re-designated as chief executive officer of the Company (the "CEO") and co-vice chairman on 7 January 2010 and as CEO and co-chairman on 1 July 2011. Mr. Li was re-designated as a NED and the vice chairman of the Board on 28 March 2014. From 1992 to 1993, he was attached to Shanghai Golden World Commercial Building Co., Ltd. as a general manager, responsible for the overall management and development of commercial property. He has over 20 years of experience in business management and the property development industry, including over 12 years' experience in new town development in PRC. He is also a founder of SRE Group Limited ("SRE"), a company listed on The Stock Exchange of Hong Kong Limited (the "HKEx") (Stock Code: 1207), and was reappointed as the co-chairman and executive director of SRE on 29 August 2013, and resigned on 5 February 2015.

Mr. Liu Heqiang,

aged 47, was appointed as an executive director of the Company (the "ED") and the CEO on 28 March 2014. Mr. Liu graduated from University of Science and Technology Beijing with a master's degree in industrial engineering. He has an extensive experience in banking and investment industry. From December 2009 to 1 April 2015, he was the general manager of the direct investment division III of CDBC, a controlling shareholder of the Company, where he was responsible for the investment in urban development related areas. From 1992 to 2009, he had been working at, in a chronological order, in State Raw Materials Investment Corporation (國家原材料投資公司), and Northeast Credit Department (東北信貸局), Tianjian Branch, and the Market and Investment Business Bureau, of CDB. Mr. Liu is the president of the Company and is responsible for the management of the business of the Company and its Subsidiaries (the "Group"). Mr Liu is also a director of several subsidiaries of the Company, such as China New Town Holding Company Limited.

Mr. Xie Zhen,
aged 44, was appointed as a NED on 5 December 2015. Mr. Xie graduated from Tsinghua University and Chinese Academy of Sciences in thermal engineering. He is now the general manager of Legal Department of CDBC, a controlling shareholder of the Company. He has an extensive experience in the banking and investment industry. He was previously the general manager of International Business Department of CDBC, where he principally engages in international business and related areas of investment business. From 1998 to 2014, he had been working at, in a chronological order, in PB Electrical and Mechanical Engineering Technology Co., Ltd. (柏誠機電工程技術有限公司), China Development Bank Appraisal Board (國開行評審管理局) and China Development Bank Hong Kong Branch.

Ms. Yang Meiyu,
aged 34, was appointed as an ED on 28 March 2014. Ms. Yang graduated from Peking University with a master's degree in finance. She joined CDBC in December 2009, where she was responsible for urban development related investment. From December 2009 to 1 April 2015, she had been the senior manager of the Direct Investment Division III of CDBC, a controlling shareholder of the Company. Currently, she also acts as directors and supervisors of various subsidiaries of CDBC. Prior to the joining CDBC, she worked as an investment manager at China Reits Investment where she was involved in various fund raising and land development projects. Ms. Yang is the vice president of the Company and is responsible for, among other things, corporate financing, operation and investors' relation management. Ms. Yang is also a director of several subsidiaries of the Company, such as Weblink International Limited, Meek O Investment Limited, and Protex Investment Limited.

Mr. Ren Xiaowei,
aged 45, was appointed as an ED on 28 March 2014. He graduated from Beijing Machinery and Industrial College (北京機械工業學院) with a bachelor's degree in engineering. He joined CDBC, a controlling shareholder of the Company in December 2009. He worked as assistant general manager and chief operating officer of China Development Caofeidian Investment Company Limited (國開曹妃甸投資有限公司), the vice president and chief investment supervisor of China Development Jilin Investment Company Limited. From December 2009 to 1 April 2015, he had been the senior manager of the direct investment division III of CDBC. He has extensive experience in import and export industry. Prior to joining CDBC, he worked as department manager of China National Machinery Import & Export Corporation (中國機械進出口公司) from 1995 to 2003 and as managing director of Bidwiin Tech from 2003 to 2009. He is the vice president of the Company and is responsible for, among other things, the management of urban development projects and construction projects. Mr. Ren is also legal representative of Shanghai Golden Luodian Development Co., Ltd and a director of several subsidiaries of the Company.

Mr. Shi Janson Bing,
aged 33, graduated from the University of Southern California, the United States and obtained a bachelor's degree in accounting in May 2007, joined the Group in December 2007 and was an ED from 12 December 2007 to 28 March 2014. Mr. Shi is the son of Mr. Shi Jian, the de facto owner of SRE Investment Holding Limited, which has 15.1% shareholding of the Company. Mr. Shi will be responsible for strategic cooperation of the Group. He also sits on the board of SRE.

Mr. Henry Tan Song Kok,
aged 52, was appointed to our Board on 25 September 2007. He is the lead independent non-executive director of the Company (the "INED") and the chairman of the audit committee of the Company (the "AC") and a member of each of the nomination and remuneration committees (the "NC" and the "RC", respectively) of our Company. Mr. Tan obtained a bachelor's degree in accountancy with first class honours from the National University of Singapore. He is a fellow of the Institute of Singapore Chartered Accountants, a fellow of the Institute of Chartered Accountants in Australia, a fellow of CPA Australia and a fellow of Singapore Institute of Directors and a member of the Institute of Internal Auditors Inc (Singapore Chapter). He is currently the managing director of Nexia TS Public Accounting Corporation and the chairman of Nexia China. His previous roles include Asia Pacific chairman and board member of Nexia International. He served as president of Spirit of Enterprise from October 2006 to October 2008, a charity organization. He sits on the boards of Raffles Education Corporation Limited and YHI International Limited, all being companies listed on Singapore Stock Exchange Securities Trading Limited. He has been appointed to Nanyang Technological University's newly-formed Nanyan Business School Alumni Advisory Board since 10 March 2015.

Mr. Kong Siu Chee,

aged 71, was appointed to our Board on 30 November 2006. He is an INED and also the chairman of the RC and a member of the NC. Mr. Kong obtained a bachelor's degree in arts from the University of Hong Kong in November 1969 and a master's degree in business administration from the Chinese University of Hong Kong in December 1980. He is an associate of The Chartered Institute of Bankers in the United Kingdom. He began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for 24 years. In 1993, he pursued his new business interest in the telecommunications sector and was a director of Champion Technology Holdings Limited from 1993 to 1994 and a director of Kantone U.K. Ltd. from 1994 to 1996. Between 1999 and 2005, he served as a director, executive vice president and alternate chief executive officer of CITIC Ka Wah Bank Limited (renamed as CITIC Bank International Limited in May 2010), and was also a director and the managing director of CITIC International Financial Holdings Limited from 2002 to 2005. He has been appointed as an independent non-executive director of Harbin Bank Co. Ltd. since October 2013, and an independent non-executive director of Chinney Kin Wing Holdings Limited, a company listed on the HKEx since 11 November 2015. Mr. Kong had also been and INED of DIGITALHONGKONG.COM (now known as Global Strategic Group Limited), a company listed on the Growth Enterprise Market of the HKEx, from 28 March 2014 to 16 October 2014.

Mr. Zhang Hao,

aged 57, was appointed to our Board on 13 February 2012. He is an INED and also a member of the AC. He is currently the vice director and a part-time professor of the Yangtze River Basin Development Institute of the East China Normal University. He graduated from the Department of Economics of the Nanjing University in August 1990. He then obtained a master's degree in business administration from the Shanghai Jiao Tong University in March 2005. He had previously served in various departments of the provincial government of the People's Republic of China (the "PRC") for over 29 years. From August 1981 to August 1996, he worked first as the senior staff member in the Planning Commission of Chongming County and then as the superintendent of the Seawall Project Management of Chongming County. From August 1996 to December 2010, he held various positions including as a senior staff member of the cooperation office of the Shanghai Municipal Government, a cadre of the department of district and county economy of the Shanghai Municipal Development Planning Commission and a senior staff member for the department of district and county economy of the Shanghai Municipal Development and Reform Commission.

Mr. E Hock Yap,

aged 61, was appointed to our Board on 29 May 2012. He is an INED and also the chairman of the NC and a member of each of the AC and RC. He obtained a bachelor's degree in chemical engineering at the University of Sheffield, the United Kingdom in 1978. He is also a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He started his career with the London office of KPMG as an auditor specializing in insolvency from August 1978 to May 1983. From May 1983 to January 1987, he worked at Chase Manhattan Bank as an investment banker and in various investment banks in the region. He later took up management roles in several financial services companies in the Asia Pacific Region. He served as the chief executive officer and as the Group managing director of Prime Credit Limited during the period from August 1999 to December 2007. He currently works in an investment company which invests in special situations. He had also served as an independent non-executive director of SRE during the period from 28 September 2004 to 29 May 2012.

SENIOR MANAGEMENT

Mr. Mao Yiping,

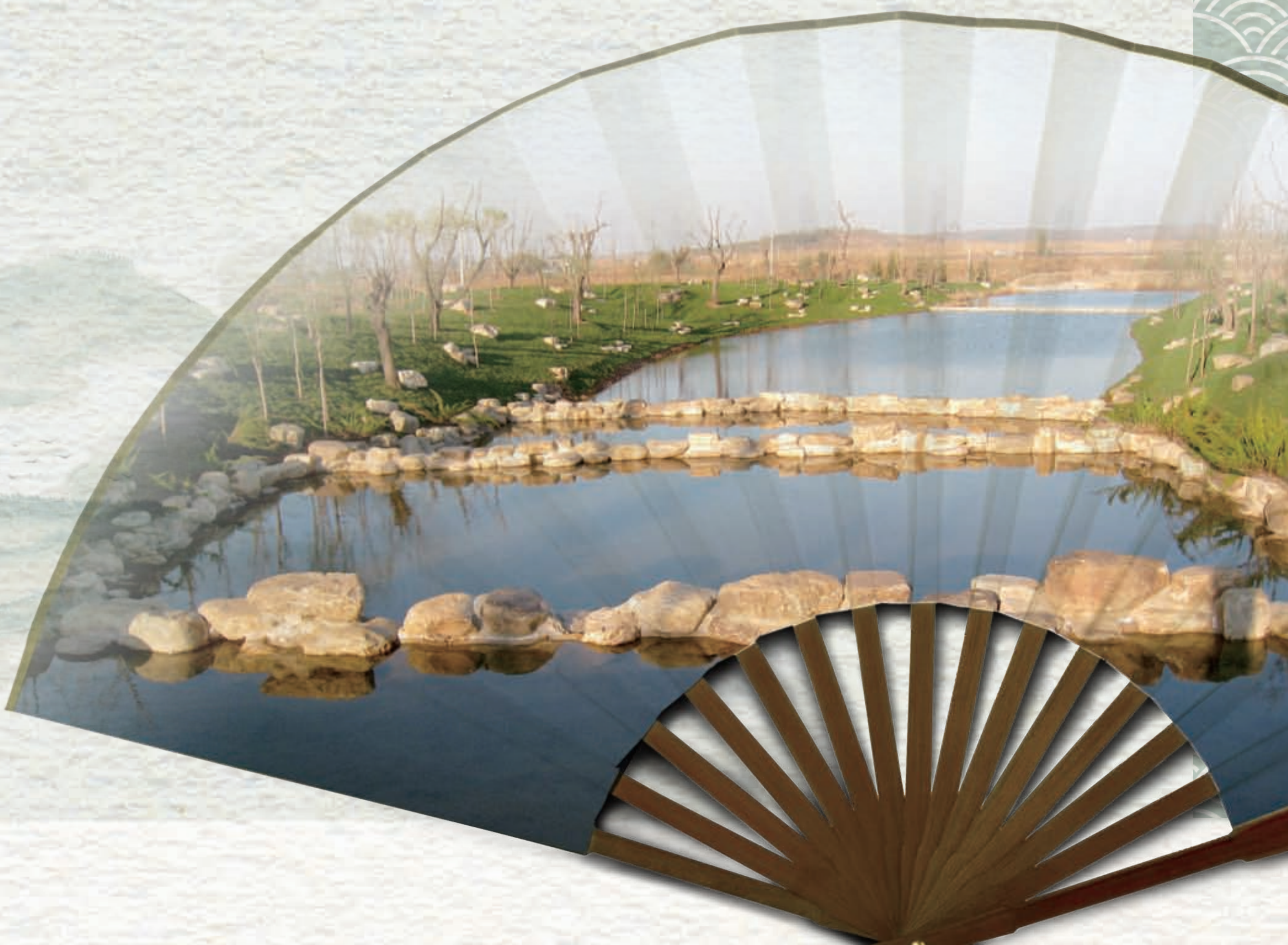
aged 48, joined SRE in 1993. He subsequently joined our Group in November 2006 and was appointed as an ED from 30 November 2006 till 27 March 2014 and was appointed as vice president on 22 November 2007. He has been the general manager for the new town project located in Shenyang Lixiang District (the "Shenyang Project") since 1 April 2007 and is responsible for overseeing the development of the Shenyang Project. Mr. Mao obtained a bachelor's degree in mechanical engineering from the Shanghai Jiao Tong University in July 1991 and a master's degree in business administration from the City University of Hong Kong in November 2003. He resigned as an ED on 28 March 2014, and was re-designated as vice president of the Company with effect from 28 April 2014.

Mr. Wu Haijun,

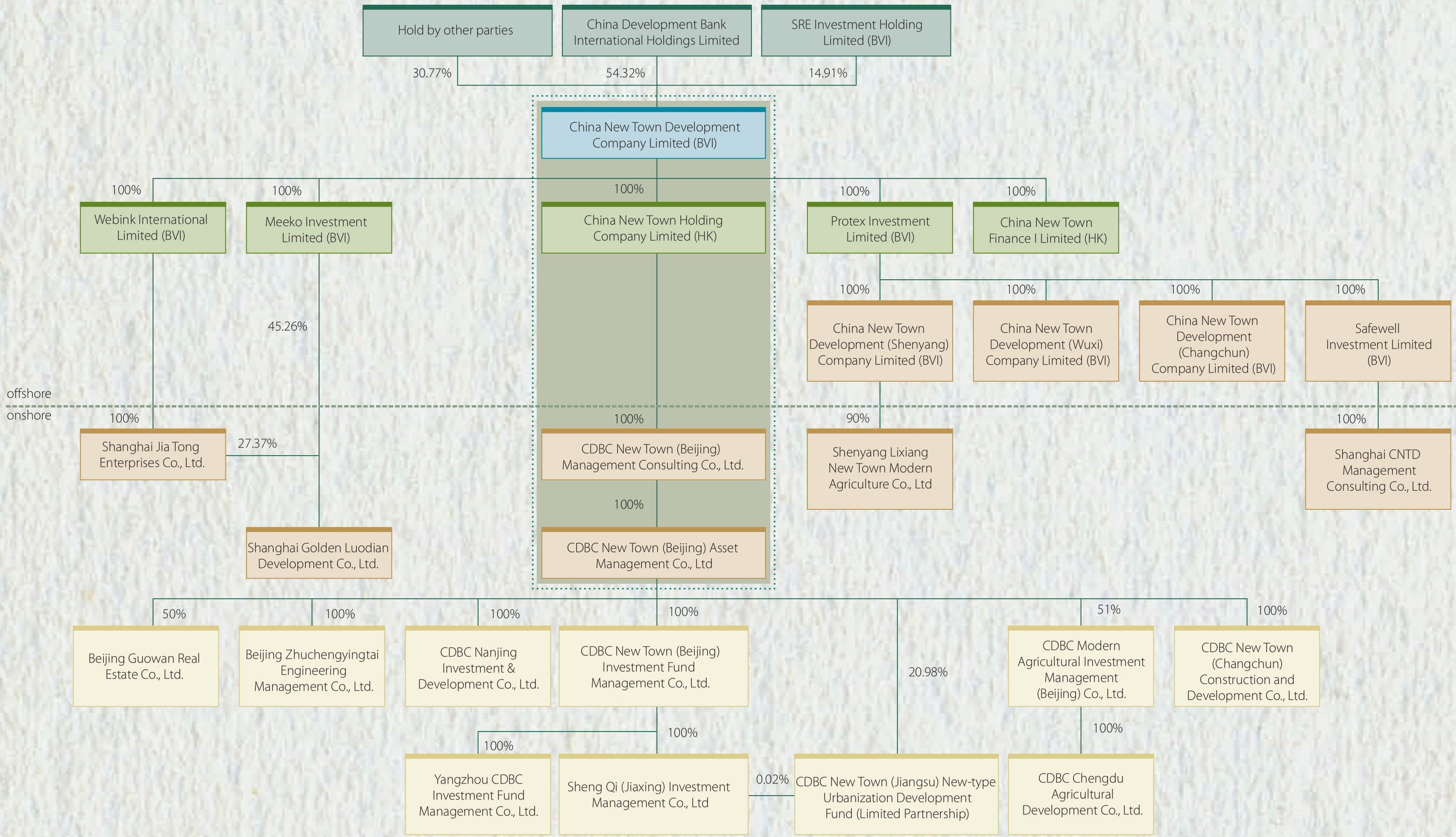
aged 45, joined our Company in April 2014 and was appointed as vice president on 28 April 2014. He is mainly responsible for the administration department and the human resources department. From July 2008 to November 2011, he was the general manager of the Jilin City Construction Holding Group Co., Ltd.; he also served as general manager of the Jilin Investment Limited of CDB from April 2011 to April 2012. He obtained a master's degree in business administration from the Jilin University in June 2006.

Mr. Wu Jubo,

aged 51, has been appointed as chief financial officer since 11 March 2015. He graduated from the University of Science and Technology Beijing with a bachelor's degree of accounting in January 2005. He holds a PRC professional qualification certificate in accounting and has over 31 years of experience in accounting and finance management. Prior to joining the Company, he was the chief accountant at Yangzhou subsidiary of CITIC Pacific Special Steel Group from 1 May 2013 to 1 April 2014. He also worked as the director and financial controller at Kazakhstan KMK Oil Joint Stock and the deputy general manager at Wuxi Heng Yuan Investment Company Limited from 1 May 2010 to 1 May 2013. During the period from 4 April 2004 to 1 May 2010, he was the head of the finance department of CITIC Pacific (Hong Kong) Investment Company Limited, chief accountant at Xing Cheng Special Steel Co., Ltd., and director and company secretary of Daye Special Steel Co., Ltd. He is responsible for matters relating to corporate finance, corporate development and assists in strategic planning, as well as other financial management duties.



GROUP STRUCTURE



Notes:

(1) Except as otherwise expressly stated, all companies within the Group are incorporated in the People's Republic of China.

(2) This Group chart is a display of the Group's equity structure as at 31 December 2016.

CORPORATE GOVERNANCE REPORT

The board of directors and management of China New Town Development Company Limited (the "Company" and the "Board", respectively) are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability. Good corporate governance is an integral element of a sound corporation to protect and enhance shareholders' value.

The Board has reviewed its corporate governance practices and confirmed that the Company had complied with all principles and guidelines set out in the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) throughout the financial year ended 31 December 2016 (the "Financial Year") except for the deviations which are explained in the relevant paragraphs of this report.

BOARD MATTERS

The Board

The Board has the overall responsibility for the proper conduct of the Company's businesses. The Board's primary role is to provide entrepreneurial leadership, set strategic goal and ensure that the necessary financial and human resources are in place for the Company and its subsidiaries (collectively the "Group") to meet its objectives as well as to protect and enhance long-term values for the Shareholders. It sets the overall strategy for the Group and reviews management performance. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including establishing a framework of prudent and effective controls, setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Three (3) Board committees established by the Board include the audit committee (the "AC"), the nomination committee (the "NC") and the remuneration committee (the "RC") (collectively the "Board Committees") and they assist the Board in discharging its duties. The effectiveness of each Board Committee is also constantly monitored.

The Board meets at least four times a year at approximately quarterly intervals for review of the financial performance and results of each period, material investments and other significant matters of the Group. The articles of association of the Company (the "AoA") provides for the convening of the Board or Board Committee meetings by way of telephonic or similar communications.

The attendance records of the directors of the Company (the "Directors") at the meetings of the Board, the Board Committees and the annual general meeting and the extraordinary general meeting (the "AGM" and the "EGM", respectively) during the Financial Year are set out below:

	Attendance/Number of Meetings (during Director's tenure)					
Name	**Board Meeting**	**AC**	**NC**	**RC**	**AGM**	**EGM**
Executive Directors (the "EDs")						
Liu Heqiang	5/6	–	–	–	1/1	1/1
Yang Meiyu	3/6	–	–	–	0/1	0/1
Ren Xiaowei	5/6	–	–	–	1/1	1/1
Shi Janson Bing[1]	1/6	–	–	–	–	–
Non-executive Directors (the "NEDs")						
Fan Haibin[2]	2/6	–	–	–	0/1	0/1
Wei Wei[3]	4/6	–	–	–	–	–
Zuo Kun	4/6	–	–	–	0/1	0/1
Li Yao Min	6/6	–	–	–	1/1	1/1
Xie Zhen	5/6	–	–	–	1/1	1/1
Independent Non-executive Directors (the "INEDs")						
Henry Tan Song Kok (Lead)	6/6	6/6	3/3	2/2	1/1	1/1
Kong Siu Chee	6/6	–	3/3	2/2	1/1	1/1
Zhang Hao	6/6	6/6	–	–	0/1	0/1
E Hock Yap	5/6	5/6	2/3	1/2	1/1	1/1

1 Mr. Shi Janson Bing was appointed as an ED on 12 August 2016.

2 Mr. Fan Haibin retired as a NED and ceased to be the chairman of the Board (the "Chairman") on 13 May 2016.

3 Mr. Wei Wei was appointed as a NED and the Chairman on 13 May 2016.

Code Provision A.6.7

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, two NEDs and an INED were unable to attend both the AGM and EGM held on 29 April 2016. To mitigate the above, future general meetings would be scheduled earlier to avoid timetable clashes.

Code Provision E.1.2.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board of directors should attend the annual general meeting. However, Mr. Fan Haibin ("Mr. Fan"), the then Chairman, was unable to attend the AGM held on 29 April 2016 (the "2016 AGM") due to other business engagements. In the absence of Mr. Fan, Mr. Liu Heqiaug ("Mr. Liu"), acted as chairman of the 2016 AGM to ensure an effective communication with the Shareholders. Mr. Fan had a follow-up with Mr. Liu for any opinions or concerns of the Shareholders expressed at the 2016 AGM.

Delegation by the Board

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's interim and annual results, connected transactions of a material nature, declaration of interim dividends and recommendation of final dividends.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board while the daily operations are delegated to the executive management and carried out under the supervision of the chief executives. All management and staff have defined roles and responsibilities and are subject to the Code of Conduct as set out in the Employee Manual which imposes on them specific obligations to our business.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and written guidelines with more onerous requirements than the Model Code for securities transactions by employees of the Company (the "Securities Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman, Vice Chairmen and Chief Executive Officer

Mr. Fan Haibin and Mr. Wei Wei were appointed as the Chairman in a successive order and are responsible for ensuring the effectiveness of Board matters, including the formulation, development and reassessment of the Group's strategies and policies. Mr. Zuo Kun and Mr. Li Yao Min are the vice chairmen of the Board (the "Vice Chairmen"). Mr. Zuo is responsible for the duties of the Chairman in the absence of the latter and the execution of the Group's business strategies and plans; while Mr. Li is responsible for advising on the development of the Group. In addition, Mr. Liu Heqiang is the chief executive officer of the Company (the "CEO") and is responsible for overseeing the development of each new town projects and operations of the Company as a whole.

All major decisions made by the Chairman, Vice Chairmen and the CEO are reviewed by the Board. As Mr. Fan Haibin and Mr. Wei Wei are not independent directors and hence Mr. Henry Tan Song Kok was appointed as the Lead INED who will be available to Shareholders when they have concerns and when the contact through normal channels has failed to resolve or for which such contact is inappropriate.

Board Composition and Balance

As at 31 December 2016, the Board comprised twelve (12) members: four (4) EDs, four (4) NEDs and four (4) INEDs. The Board is able to exercise an independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues and no individual or small group could dominate the Board's decision making. There is no alternate Director appointed in the Board.

A list of the Directors and the positions held by each Director is set out in the Profiles of Directors and Senior Management on pages 46 to 55 of this Annual Report. The INEDs are expressly identified in all corporate communications pursuant to the Listing Rules.

There was no financial, business, family or other material relationship among the Directors.

During the Financial Year, the Board met the requirements of having INEDs representing at least one-third of the Board, i.e. four INEDs and exceeded the requirement of having at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise being appointed under the CG Code.

The criterion of independence is based on the definition given in the CG Code and Rule 3.13 of the Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who can interfere, or be reasonably perceived to interfere, with the exercise of independent judgment of the conduct of the Group's affairs by the Director.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise a sufficient number of Directors to fulfill its responsibilities and act as a group to provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (the number of Directors may be increased where it is considered that additional expertise is required in specific areas, or when an outstanding candidate is identified); and

- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making them difficult to fully discharge their duties.

The INEDs exercise no management functions in the Company or any of its subsidiaries. Although every Director has equal responsibility for the performance of the Group, the role of the INEDs is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders but also of the employees, customers, suppliers and many communities in which the Group conducts businesses. The INEDs also meet regularly without management present. The Board considers its INEDs to be of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The INEDs have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors.

The Board is of the view that its current composition of twelve (12) Directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged. During the Financial Year, no legal action was made against any of the Directors in relation to their duties performed for the Company.

Profiles of the Directors and other relevant information are set out on pages 19 to 23 of this Annual Report.

Induction and Training of Directors

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

The Directors have confirmed that they had complied with code provision A.6.5 of the CG Code on Directors' training. During the Financial Year, all current Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

Name	Topics of training covered [Note]
Wei Wei (Chairman and NED)	A, B
Zuo Kun (Vice Chairman and NED)	A, B
Li Yao Min (Vice Chairman and NED)	A
Liu Heqiang (Chief Executive Officer and ED)	A, B
Xie Zhen (NED)	A, B
Ms. Yang Meiyu (ED)	A, B
Ren Xiaowei (ED)	A, B
Shi Janson Bing (ED)	B
Henry Tan Song Kok (Lead INED)	A
Kong Siu Chee (INED)	A
Zhang Hao (INED)	B
E Hock Yap (INED)	B

Notes: A attending seminar(s) and/or conference on regulations and updates

B reading materials relating to business and operations of the Company, and legal and regulatory updates

NOMINATION MATTERS

Board Membership and NC

As at 31 December 2016, the NC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the NC during the Financial Year were as follows:

Mr. E Hock Yap — Chairman
Mr. Kong Siu Chee — Member
Mr. Henry Tan Song Kok — Member

The NC adopted its terms of reference on 31 March 2017 and its principle functions are to:

1. review the structure, size and composition (including skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to complement the Company's strategy;

2. identify, review and assess individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of INEDs, on an annual basis;

4. make recommendations to the Board on the appointment or re-appointment of Directors (including the INEDs) in accordance with the AoA and succession planning for the Directors in particular the Chairman and the CEO;

5. review the Board diversity policy (the "Board Diversity Policy") on a regular basis and recommend revisions, if any, to the Board for consideration and approval; and

6. assess whether or not a Director is able to carry and has adequately carried out his duties as a Director.

The Company has received written annual confirmation from each Director and reviewed the independence of each INED pursuant to the definition provided by the CG Code and the Listing Rules and is of the view that Messrs. Henry Tan Song Kok, Kong Siu Chee, E Hock Yap and Zhang Hao are independent.

Mr. Kong Siu Chee and Mr. Henry Tan Song Kok have served as the INEDs of the Company for more than nine years from their respective dates of first appointment to the Board.

At the annual assessment carried out by the NC and with the concurrence of the Board, it was concluded that the contributions of Mr. Kong and Mr. Tan towards the Board remain objective and independent in expressing their views and in participating in the deliberations and decision making of the Board and Board Committees. The Board holds the view that a Director's independence cannot be determined arbitrarily by reference to a set period of service. The Company has benefited from Mr. Kong and Mr. Tan's service in terms of their knowledge of the Company's businesses and each of them has proven his commitment, experience and competence to effectively provide core competencies and independent advice to the Company. Moreover, the Board noted that the current new management started only in 2014. The NC has confirmed that neither Mr. Kong and Mr. Tan nor their respective associates had any business dealings with the Company.

During the Financial Year, NC held 3 meetings.

The NC has reviewed the training and professional development programs participated by the Directors and the company secretary of the Company (the "Company Secretary"). The NC has also reviewed each Director's time of involvement in the Company and considered that it is appropriate taking into consideration of the Directors' board representations held in other listed companies and other major appointments or principal commitments. The NC has reviewed and recommended the Board Diversity Policy which was adopted by the Board at the Board meeting held on 13 August 2013 for assessing the Board composition. The NC would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The NC would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the NC would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Board, at the Board meeting held on 26 February 2015, accepted the recommendation by the NC that the maximum number of listed company board representations which any Director may hold be eight and all Directors have complied with the Board's resolution.

Appointment, Re-election and Removal of Directors

The procedures and processes of appointment, re-election and removal of Directors are laid down in the AoA. Recommendations for the appointments and re-appointments of Directors and appointments of the members of Board Committees are made by the NC and considered by the Board as a whole. The AoA provides that one-third of the Directors (including NEDs) for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation at each AGM. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the Shareholders at the AGM. In addition, any Director appointed by the Shareholders or the Board, as the case may be, either to fill a vacancy or as an additional director, shall retire at the next AGM and shall then be eligible for re-election at that meeting.

On 13 May 2016, Mr. Fan Haibin retired as a NED and ceased to be the Chairman.

On the appointment side, Mr. Wei Wei was appointed as a NED and the Chairman on 13 May 2016, and Mr. Shi Janson Bing was appointed as an ED on 12 August 2016.

The dates of initial appointment, last re-election/re-appointment and other board representations of each of the Directors of the current Board members are set out below:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Wei Wei	13 May 2016	Not Applicable	NED Chairman	None	None
Zuo Kun	28 March 2014	29 April 2016	NED Vice Chairman	None	None
Li Yao Min	11 January 2007	24 April 2015	NED Vice Chairman	None	Executive director and co-chairman of SRE Group Limited ("SRE") (from 29 August 2013 to 5 February 2015)
Liu Heqiang	28 March 2014	29 April 2016	ED CEO	None	None
Xie Zhen	5 December 2015	29 April 2016	NED	None	None
Yang Meiyu	28 March 2014	30 April 2014	ED	None	None
Ren Xiaowei	28 March 2014	29 April 2016	ED	None	None
Shi Janson Bing	12 August 2016	Not Applicable	ED	None	Executive director of SRE (from 17 July 2015 to present)

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Henry Tan Song Kok	25 September 2007	29 April 2016	Lead INED	Chairman of AC and a member of each of NC and RC	An independent non-executive director of each of the following companies: (i) Raffles Education Corporation Limited; (ii) YHI International Limited; (iii) Pertama Holdings Limited until 10 January 2014; (iv) Chosen Holdings Limited until 16 October 2015; and (v) Ascendas Funds Management (S) Limited until 31 October 2015
Kong Siu Chee	30 November 2006	30 April 2014	INED	Chairman of RC a member of NC	An independent non-executive director of each of the following companies: (i) Global Strategic Group Limited (formerly known as DIGITALHONGKONG.COM) from 28 March 2014–16 October 2014; (ii) Harbin Bank Co. Ltd.; and (iii) Chinney Kin Wing Holdings Ltd
Zhang Hao	13 February 2012	24 April 2015	INED	A member of AC	None
E Hock Yap	29 May 2012	24 April 2015	INED	Chairman of NC and a member of each of AC and RC	None

Each of the NEDs and INEDs is appointed for a specific term, subject to retirement by rotation once every three years. An appointment letter has been issued to each of the INEDs respectively and its terms are set out in the Report of the Directors.

Pursuant to Article 86(1) of the AoA, Mr. Kong Siu Chee, Mr. Li Yao Min, Ms. Yang Meiyu and Mr. Zhang Hao shall retire by rotation as Directors and pursuant to Article 85(7) of the AoA, Mr. Wei Wei and Mr. Shi Janson Bing who were appointed by the Board as Directors after the 2016 AGM shall retire from office and, being eligible, shall offer themselves for re-election at the forthcoming AGM. The NC recommends the re-election of the retiring Directors after assessing their contribution, performance and, where applicable, independence.

Board Performance

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care and in the best interests of the Company and its Shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of the Board's performance is also tested through its ability to give support to management especially in the times of crisis and to steer the Company in the right direction.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that the Directors appointed to the Board possess the integrity, background, experience, knowledge and skills relevant to the Company's business and that each Director with his/her special contribution brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board by having the Directors complete a questionnaire. The processes identify weaker areas where improvements can be made. The Board and individual Directors can thus direct more effort in those areas to further enhance the effectiveness of the Board.

Access to Information

Annual meeting schedules and agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least fourteen (14) days before the meetings. For ad-hoc Board and Board Committee meetings, reasonable notice period is provided.

Meeting materials together with all appropriate, complete, relevant and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company as well as ongoing reports and to enable them to make informed decisions.

All Directors have unrestricted access to the Company's records and information and received detailed financial and operational reports from senior management during the Financial Year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult other employees and seek additional information on request.

All Directors have separate and independent access to the Company Secretary. The duly appointed secretaries administer, attend, prepare and keep minutes of the Board and Board Committee meetings. The Company Secretary also assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively, and in compliance with the AoA and relevant rules and regulations including requirements of the HKEx. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final versions thereof are open for the Directors' inspection.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole and are considered at a Board meeting.

The AoA contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving the transactions in which such Directors or any of their associates have a material interest.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Code Provision C.1.2

Pursuant to code provision C.1.2 of the CG Code, monthly performance updates should be provided to all board members. This has not been done as after careful consideration, the management considered that quarterly updates by way of detailed financial results announcement are sufficient for the Directors to understand and note well the business performance, position and prospects of the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

As at 31 December 2016, the RC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the RC during the Financial Year were as follows:

Mr. Kong Siu Chee — Chairman
Mr. Henry Tan Song Kok — Member
Mr. E Hock Yap — Member

The RC adopted its terms of reference on 31 March 2017 and its principle functions are to:

1. implement and administer any performance incentive schemes of the Company;

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

3. review and determine the specific remuneration packages for all EDs and senior management.

In carrying out their duties, the RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary, relating to the remuneration policy and in determining the level and mix of remuneration for the Directors and senior management. The expenses of such advice will be borne by the Company.

Level and Mix of Remuneration

The RC makes recommendations to the Board on remuneration packages of the EDs and senior management taking into account the performance of the Group, as well as the pay and employment conditions in the same industry and comparable companies, while aligning the EDs' interests with those of Shareholders and linking rewards to corporate and individual performance.

The INEDs receive directors' fees in accordance with their contributions and taking into account factors such as efforts, time involvement and responsibilities of the INEDs. Directors' fees are subject to approval of the Shareholders at the AGM.

The remuneration of the EDs and senior management comprises a basic salary component and a variable component. The variable component comprises a variable bonus linking to the Company's and individual performance and other variable components including the grant of share options. Details of the remuneration of Directors are set out in the Report of the Directors.

The annual review of the remuneration packages of the Directors is carried out by the RC and recommendation if any is made to the Board with an aim to ensure the remuneration of the EDs and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. No Director should involve in deciding his/her own remuneration.

During the Financial Year, the RC held 2 meetings to review and recommend the remuneration of the EDs and the fees payable to the INEDs.

Disclosure on Remuneration

Details of the remuneration of the Directors and top five (5) key executives' of the Group paid or payable for the Financial Year are set out in Note 32 to the Consolidated Financial Statements.

ACCOUNTABILITY AND AUDIT

Accountability

The Board aims to ensure that the interim and annual financial statements and results announcements of the Company are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospect. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Financial Year.

The financial statements for the Financial Year have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs including the operations and finances of the Group and of the Company and effective risk management and sound internal control systems are in place. The Board has received assurance confirming the same from the CEO and financial controller of the Company (the "Financial Controller"). It seeks to present a balanced and informed assessment of the Company's performance, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Risk Management

The Board have in place a risk management process and assessment framework.

The management regularly reviews the Group's business and operational activities to identify areas of potential business risk, which includes the identification and assessment of business risks and take appropriate measures to mitigate these risks. The Group's internal auditor PricewaterhouseCoopers conducts the update based on the latest conditions of the market and the Company and assist the management with appropriate measures to control and mitigate these risks. The management and internal auditor review all significant control policies and procedures and highlight any significant potential matters to the Board and the AC.

Internal Control

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance.

The Board is responsible for the overall internal controls and risk management systems of the Group, and for reviewing the adequacy and integrity of those systems on an annual basis. The Board has engaged PricewaterhouseCoopers to conduct the internal audit review of the internal controls and prepare the reports, monitor and assist the management to rectify any problem detected in time. The AC reviews the Group's system of internal controls, including financial, operational, compliance, information technology controls, and risk management policies and systems established by the management. This ensures that such systems are sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding Shareholders' investments and the Company's assets.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board believes that further improvements can be performed in the current internal control systems and the Company is continuously working towards enhancing the Group's internal control systems. The Board oversees that management maintains a sound system of risk management and internal controls to safeguard Shareholder's interest and the Company's assets.

Based on the internal control systems and enterprise resource management framework established and maintained by the Group, the work performed by the internal auditor and the reviews performed by the management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal control systems together with management systems addressing financial, operational, compliance and information technology risks were adequate as at 31 December 2016. The Board has received assurance in writing from the CEO and the Financial Controller that the financial records have been properly maintained and the financial statements of the Company give a true and fair view of the Company's operations and finances. The assurance from the CEO and the Financial Controller also included the effectiveness of the Company's risk management and internal control systems.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad and non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorized use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs ,the Company Secretary and investor relations officers are authorized to communicate with parties outside the Group.

Audit Committee

As at 31 December 2016, the AC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the AC during the Financial Year were as follows:

Mr. Henry Tan Song Kok — Chairman
Mr. Zhang Hao — Member
Mr. E Hock Yap — Member

Mr. Henry Tan Song Kok possesses accounting and related financial management expertise and experience. The Board considers that Mr. Zhang Hao has sufficient financial knowledge and experience to discharge his responsibilities as a member of the AC.

The AC adopted its new terms of reference on 31 March 2017 and its principal functions are to:

(a) review the financial reporting process, management of financial risks and the audit process;

(b) review the audit plans and results of the external auditors' examination and evaluation of the Group's systems of internal accounting control and any matters which the external auditors wish to discuss (in the absence of management, where necessary);

(c) review the scope and results of the internal audit procedures;

(d) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board and the external auditors' report on those financial statements;

(e) review the interim and annual announcements on the results and financial position of the Company and of the Group;

(f) review the co-operation and assistance given by the management to the Group's external auditors;

(g) evaluate the cost effectiveness, independence and objectivity of the external auditors of the Company and the nature and extent of the non-audit services provided by them;

(h) make recommendations to the Board on the appointment, re-appointment and remuneration of the external auditors of the Company;

(i) evaluate the adequacy and adherence of the risk management and internal control systems including administrative, operating and internal accounting control of the Group; and

(j) review connected transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its Shareholders.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Director or executive management to attend its meetings. The AC meets with the internal auditors and the external auditors separately, at least twice a year, without the presence of management, to discuss the reasonableness of the financial reporting process, to monitor and review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors.

During the Financial Year, the AC held 6 meetings to, among others, review the scope and quality of audit by the Company's external auditor, Ernst & Young ("EY"), the independence and objectivity of EY as well as the cost effectiveness of its audit. The AC also reviewed the service fee to EY. During the Financial Year, the Company engaged EY for audit-related services for the establishment of urbanization development fund and the delisting from the Official List of Singapore Exchange Securities Trading Limited. The details of audit service fee and audit-related service fees to EY for the financial years ended 31 December 2015 and 2016 are set out below:

RMB'000	**2016**	2015
Audit service fee	**3,600**	3,600
Audit-related fee	**550**	250
Total	**4,150**	3,850

Through AC, the Company has an appropriate and transparent relationship with EY. In the course of audit of the Group's financial statements, EY has highlighted to the AC matters that require the AC's attention. EY is invited to attend meetings of the AC for the purposes of presenting their audit plan and report as well as their comments on the audited financial statements.

The Company's annual results for the Financial Year have been reviewed by the AC.

EY's audit opinion on the consolidated financial statements of the Group for the Financial Year is set out in the "Independent Auditors' Report" on pages 56 to 60 of this Annual Report.

The AC is satisfied that EY is able to meet the audit obligations of the Company and has recommended to the Board the re-appointment of EY as the Company's external auditor for the year ending 31 December 2017 subject to the approval of the Shareholders at the forthcoming AGM.

The Group has appointed different external auditors for its subsidiaries in the People's Republic of China (the "PRC") in order to meet its local statutory regulations. The Board and the AC are satisfied that the appointment does not compromise the standard and effectiveness of the audit of the Company. The AC members takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements through attendance at training and update on recent developments to accounting standards provided by professionals.

Whistle Blowing Policy

The Company has adopted a whistle blowing policy which provides a channel for employees to report serious concerns relating to financial reporting and unethical or illegal conduct.

Throughout the Financial Year, no whistle blowing report was received.

Internal Audit

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding Shareholders' investment and the Group's assets, the AC has also appointed an internal audit function team to enhance the internal controls of the Group. The internal audit function team' reports to the chairman of the AC on any material weakness and risks identified in the course of the audit are also communicated to the management. The management will accordingly update the AC the status of the remedial action plans.

The AC reviews and approves the annual internal audit plans and reviews the scope and the results of the internal audit according to the procedures issued by the internal audit function team.

COMPANY SECRETARIES

Ms. Chan Sau Ling of Tricor Services Limited, the external service provider, resigned as the Company Secretary with effect from 1 July 2016. Mr. Kwok Siu Man ("Mr. Kwok") was appointed as the Company Secretary with effect from 12 August 2016. Their primary contact person at the Company during the engagement period was Mr. Liu Heqiang, the CEO.

As Mr. Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the HKEx at substantial times since then, he is not required to have at least 15 hours of relevant continuous professional development training in the Financial Year under the Listing Rules. However, despite the above exemption, Mr. Kwok had attended and delivered over 15 hours' relevant seminars during the Financial Year.

Details of the said change of company secretary were set out in the Company's announcements dated 30 June 2016 and 12 August 2016.

COMMUNICATION WITH SHAREHOLDERS

The Group acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

The AGM remains the principal forum for dialogue with Shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed at the AGM and the operations of the Group.

The Company has conducted roadshows regularly in Singapore and Hong Kong for business update and actively arrange for communications with Shareholders/investors in the light of specific progress of various projects (substantial investment or financing projects such as the Beijing Mentougou Junzhuang project and the Singapore delisting) in Singapore and Hong Kong. The Company strived to enable a comprehensive exchange of opinions and mutual understanding between Shareholders/investors.

The AoA allows a member of the Company (the "Member") entitled to attend and vote at the meeting of the Company to appoint one or more proxies to attend and vote on behalf of him/her and also provides that a proxy need not be a Member. Voting in absentia by facsimile or email is not currently permitted to ensure proper authentication of the identity of Shareholders and their voting intentions.

The chairmen of the AC, RC and NC are usually available at the AGM to answer any questions from the Shareholders relating to the work of these Board Committees. The Company's external auditor is invited to attend the AGM and will assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and content of the independent auditors' report.

During the Financial Year, notice of at least 20 clear business days was given to the Shareholders for the 2016 AGM. Sufficient notice was given in accordance with the AoA, the laws of British Virgin Islands in which the Company is incorporated, and the CG Code.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial issue at Shareholders' meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the respective websites of the Company and HKEx after each Shareholder's meeting.

Minutes of general meetings include substantial and relevant queries or comments from the Shareholders relating to the agenda of meeting and responses from the Board and management. These minutes would be available to the Shareholders upon their request.

The Company organises briefings and meetings with analysts and fund managers regularly to provide them with a better understanding of its businesses. In addition, the Company appointed Strategic Financial Relations Limited as its investor relations consultant to promote investor awareness for the Company.

The Group maintains a corporate website at www.china-newtown.com which contains the Company's publicly disclosed financial information, annual reports, news releases, announcements and corporate developments.

Shareholders and potential investors are welcome to communicate with the Company or put forward enquiries to the Board by any of the following ways:

Email	:	ir@china-newtown.com
Contact Number	:	+852 3759 8300
Fax	:	+852 3144 9663
Address	:	Suites 4506–4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong

SHAREHOLDERS' RIGHTS TO CONVENE AND PUT FORWARD PROPOSALS AT EGM

Pursuant to the AoA, EGMs may be convened by the Board on requisition in writing of the Shareholders holding not less than one-twentieth of the total voting rights of the matter for which the meeting is being requested. The written requisition shall be made to the Board or the Company Secretary at the business address or registered office address which are set out in the Corporate Information of this Annual Report, to request an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMPLIANCE WITH MODEL CODE AND SECURITIES TRADING

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. The Directors have confirmed, following specific enquiries by the Company that they had complied with the Model Code throughout the Financial Year.

The Company has also established the Securities Code for its employees who are likely to be in possession of unpublished price-sensitive information of the Company. It prohibits the Directors and employees from dealing in the Company's shares on short-term considerations and during the period commencing 30 days before the publication of the Company's financial results for each of the first three quarters of the Financial Year and 60 days before the publication of the Company's full year financial results (or, if shorter, the period from the end of the relevant financial period or year up to the publication date of the results).

No incident of non-compliance of the Securities Code by the employees was noted by the Company.

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its memorandum of association (the "Memorandum") and AoA during the Financial Year. An up-to-date version of the Memorandum and AoA is also available on the respective websites of the Company and HKEx.

MATERIAL CONTRACTS

Save as the service agreements between the Directors and the Company, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholders subsisting during the Financial Year or at the end of the Financial Year.

CONCLUSION

The Company recognizes the importance of good corporate governance practices for maintaining and promoting investor confidence. The Board will continue to review and improve its corporate governance practices on an ongoing basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursues this business approach by managing our business prudently and executing management decisions with due care and attention. The Group is also committed to making continuous improvements in corporate environmental protection aspect and social responsibility including establishing dedicated management team under the headquarters and within each business division, and appointing designated staff to enforce and supervise the implementation of relevant policies to manage ESG issues. The Group is pleased to present the ESG report in this year to demonstrate our efforts on sustainable development.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG report covers the operational boundaries including the business of property development in Shanghai, PRC, other investment holding businesses located in the Chinese mainland and the Group's head office located in Hong Kong. For corporate governance section, please refer to pages 25 to 38 of this Annual Report. The reporting period of this ESG report is for the financial year 2016, from 1 January 2016 to 31 December 2016 ("FY2016"), unless specifically stated otherwise.

III. STAKEHOLDER ENGAGEMENT

Continuous dialogue is maintained with stakeholders that include customers, employees, regulators and the public. The Group seeks to balance the views and interests of these various stakeholders through constructive conversations. To conduct of the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has engaged its stakeholders, including employees, suppliers, customers and shareholders. Stakeholders are selected based on stakeholder influence and stakeholder dependence on the Group. Stakeholders with high influence and high dependence on the Group are selected by the management of the Group. The selected stakeholders have been invited to express their views and concerns on major social and environment issues. The stakeholder engagement procedure has been conducted through online survey. For the ESG report of 2016, the management identified GHG emission, water consumption, product service and quality, occupational health and safety issues as material concern to stakeholders.

After assessing the feedback from internal and external stakeholders through an online survey, the Group has reviewed our sustainability strategies, practices and measures undertaken in FY2016 and highlighted material and relevant aspects throughout this report so as to align with the stakeholders' expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

In recent decades, environmental protection issues are becoming more and more important as a result of global climate change, air and water pollution caused by human activities. Our Group has been attaching great attention on protecting environment and bearing the responsibility to curb global warming. We strive to protect the environment by integrating a range of environmental initiatives across our business. We are committed to minimising the environmental impact of the Group's business operation by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management.

The Group adopts effective measures to achieve efficient use of resources, energy saving and waste reduction following the 3R Principle — Recycle, Reduce, Reuse. The Group has introduced a series of measures to enhance the awareness of environmental protection among staff with the aims of saving energy, fully utilising resources and recycling wastes in daily office operation as further described in the following sections of this ESG report.

A.1. Emissions

Land Development Segment

The major environmental impacts from the land development project consist of greenhouse gas ("GHG") emission from property electricity consumption, wastewater and solid waste generated during the construction process and from the daily office operations. The Group has been running its land development business in fully compliance with the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution, Law of the People's Republic of China on the Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China on Conserving Energy and other relevant regulations in mainland China.

The wastewater generated from the Group's land development site was insignificant only include the domestic sewage from daily usage. The sewage will be discharged through the drainage pipe to the local municipal wastewater treatment plant for further treatment.

The solid wastes generated from the Group's properties include the domestic waste from office daily operation and the construction waste from the construction process. The Group built a cesspit on site to keep the construction waste in good storage and regular collections were conducted every week in strict compliance with the regulations by local government. The construction wastes were then transferred to qualified solid waste treatment plant for further treatment. For the domestic solid waste generated from daily operation, we have been adopting the classification method for collecting plastic waste, paper waste, cans, glasses and other non-recyclable wastes. The classified wastes will be further transported to the local recycle centre and the waste disposal plant for further treatment by the sanitation service company.

The Group's land development project has never receive any negative complain on noise nuisance from the surrounding residents, we have been getting along with the local community very well all the time.

The GHG emission from the Group's land development segment is mainly generated from its purchased electricity consumed by construction works and site daily operation. To reduce the amount of carbon emission, we have been implementing several practical measures on saving energy especially saving electricity as further described in the next section "Use of Resources".

Urbanization Development and Others Segments

The investment holding businesses by the Group are mainly running offices located in different cities of mainland China, therefore the emissions in terms of wastewater, solid waste and air pollutants are not significant.

We have continuously encouraged the staff to be more environmental-friendly to help make contribution on carbon reduction and energy saving. The Group is committed to saving water resource. The Group also encourages its staff to bring lunch boxes themselves instead of ordering take-out lunch, in this way to avoid the generation of food waste and food packaging waste. The Group will dedicate to protecting the environment by taking every simple action that is in accordance with an environmental-friendly manner.

To reduce the amount of carbon emission, we implement several practical measures on saving energy especially saving electricity as further described in the next section "Use of Resources". With more and more emphasis on saving energy to curb global warming by the Group's management, along with the effective implementation of the corresponding policies and measures by the Group's internal employees, the Group hopes to reach a positive reduction of carbon emission progressively.

A.2. Use of Resources

Land Development Segment

The Group strives to save energy and resources through persistent implementation of internal control policies and use of advanced technologies. As our business including land development, we understand that there lies the very real concern on the electricity consumption during construction works on site, which has direct impact on the amount of GHG generated. The Group has been making great emphasises and practicable solutions on saving electricity and ensuring the best use of electricity. We have been running our business in full compliance with the Law of the People's Republic of China on Conserving Energy.

Urbanization Development and Others Segments

The Group has been implementing several practical measures on saving the electricity and water resource during our daily offices operation as below:

- Switch off the public lights and central air-conditioning whenever not necessary;
- Keep the central air-conditioners to 26 degree all the time;
- Avoid unnecessary lightening in the areas with sufficient sunlight;
- Place posters "Saving Electricity, Turn off the Light when Leaving" in prominent places to encourage internal employees;
- Clean the office equipment regularly (such as refrigerator, air-conditioner, paper shredder, etc.) to maintain they are running efficiently;
- Replace high electricity consumption lamps with the installation of electricity saving lamps for office lighting;
- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Carry out regular leakage tests on water tap, washers and other defects in the water supply system;
- Install water saving devices on the faucets which can reach a 4-5kg water saving amount every time;
- Appropriately reduce the toilet flushing water amount under normal operation.

A.3. The Environment and Natural Resources

The main natural resource consumed by the Group is paper from its office printers. To minimise the use of paper, the Group has made great efforts described as below:

- Choose more environmental friendly paper source as the supplier, through which to indirectly reduce the amount of trees loss while producing the same amount of paper;
- Disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers;
- All drawing distribution is done via email and share drive, and all parties of the project view drawings from computer monitors instead of paper drawings;
- Green posters are put in printers as the reminder for office staff to avoid unnecessary printings;
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycle; and
- Give a second chance: encourage staff to use paper printed on only one-side for draft documents or as scratch paper.

V. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

The Group treasures talent as it is the most valuable asset and key for driving success and maintaining sustainable development. The Group strives to provide its staff a safe and suitable platform for career development and advancement.

The Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong and PRC including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Employees' Compensation Ordinance, Minimum Wage Ordinance, Company Law of the PRC (中華人民共和國公司法), Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法), Employment Promotion Law of the PRC (中華人民共和國就業促進法) and the social security schemes that are enforced by the State Regulations of the PRC to provide employee benefits. Human Resources Department reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations. The Group also attaches the compliance on regulations for minimum wages and working hours in local operating regions.

Talent acquisition is vital to the Group's business future development. To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications, positions and experiences. The Group also makes reference to market benchmarks. In order to motivate and reward our existing management and employees, the Group constantly reviews compensation package comparing with the external market and aims to nurture future business leaders by providing them the most suitable training for their career development needs and the Group's future growth. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

Throughout the Group, the Group arranges reasonable working hours and rest period for our employees which are in line with local employment laws and written agreement with employees. In addition to statutory holidays stipulated by the employment law of local government such as the basic paid annual leave, employees may also be entitled to marriage leave, maternity leave and compassionate leave.

As an equal opportunity employer, the Group is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimization in accordance to relevant government legislation, ordinances and regulations such as PRC's Regulations Concerning the Labour Protection of Female Staff and Workers (女職工勞動保護規定) and Hong Kong's Race Discrimination Ordinance and Sex Discrimination Ordinance. If there is any violation of anti-discrimination incidents, employees can report to Human Resources Department. Human Resources Department is fully responsible to strictly comply with national and corporate regulations on assessing, dealing with, recording and taking disciplinary actions on such events.

In terms of internal coaching and communication, effective two-way communication between the general staff and managerial staff is highly encouraged. Employees maintain timely and smooth communication with the management, colleagues and partners of the companies within the Group through telephone, email, training, internal OA system and meeting. The interactive communication system benefits the Group's decision-making process and results in a barrier-free employer-employee relationship. In addition, the Group hosted a series of activities for the employees in 2016 such as birthday parties, outward bound and trainings. These events helped our employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

B.2. Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment, safety and health policies are in line with various laws and regulations stipulated in Hong Kong and PRC including Occupational Safety and Health Ordinance, Employees' Compensation Ordinance, the Production Safety Laws of the PRC (中國安全生產法), Occupational Disease Prevention Law in PRC (中國職業病防治法) and Regulation on Work-Related Injury Insurance (工傷保險條例).

The Group has formulated the "Health and Safety Production Management Policy" (健康和安全生產管理制度) continued to enhance management and control over safety and health risks in business operation. Under this policy, the Group shall create a working environment and conditions that meet the national occupational health standards and hygiene requirements for the employees and take measures to guarantee its workers having occupational health protection. Measures include clearly communicating with the employees who expected to work at occupational hazards position before entering into the employment contract, setting up a bulletin board to promulgate latest rules and regulations on the prevention and control of occupational diseases, setting up emergency rescue measures and potential occupational hazards in the workplace.

In addition, the Group organises regular training activities for employees to educate the relevant health and safety laws and regulations, and possible hazards and preventive measures in using new equipment, new processes and new materials handling to minimise the risk of accidents and enhance the employees' health and safety awareness. Depends on the job natures, the Group also provides labour protection equipment in line with the national regulations such as helmets, dust masks, welding goggles, ear plugs and protective gloves especially working in construction sites.

In addition, the Group prohibits smoking and drinking liquor in workplace, carries out the health check for employees and disinfection treatment of carpets regularly with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. The Group monitors the effectiveness on above health & safety measures and ensures that they are implemented properly.

B.3. Development and Training

The Group offers different training and development opportunities to the staff in order to strengthen work-related skills and knowledge and improve operational efficiency. In 2016, the Group held a range of regular training and development programmes to encourage lifelong learning for different needs.

For new hired employees, the Group provides comprehensive orientation training in order to understand corporate history and culture, the Group's internal policies and business flow, job responsibilities and content. For experienced staff, the Group provides relevant internal and external trainings to strengthen work-related skills and knowledge such as taxation updates, implementation on operating policies and introduction of new projects. The Group aims to foster a learning culture that could strengthen its employees' professional knowledge, and meanwhile, benefiting the Group as employees are hoped to achieve better working performance after receiving appropriate training. Besides, the Group normally enrols the training organised by professional institute or vendors for enhancing its competitiveness and expanding the employees' capacity through continuous learning.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance of Hong Kong, Labour Law of the PRC, Labour Contract Law of the PRC, Prohibition of Child Labour of the PRC (中國禁止使用童工規定), Law of the PRC on the Protection of Minors (中華人民共和國未成年人保護法） and other related labour laws and regulations in other operating regions to prohibits any child and forced labour employment. We have set out the Provision on Prohibition of the Child Labour (禁止使用童工規定) in preventing potential events leading to child labour.

To combat against illegal employment on child labour, underage workers and forced labour, prior to confirmation of employment, the Group's human resources staff requires job applicants to provide valid identity documents and perform background checks to ensure that the job applicants are lawfully employable and ensure compliance of relevant laws and regulations on prohibition of child labour and forced labour. The Group will dismiss and compensate the employees according to the local laws and regulations when such events are discovered.

Operating Practices

B.5. *Supply Chain Management*

As a socially responsible enterprise, it is critical and vital to maintain and manage a sustainable and reliable supply chain. The Group generally outsources construction work to independent construction companies that specialise in different aspects of new town development. The project company oversees the procurement of construction materials and services and typically invite competitive tendering procedures. Each bid is assessed based on the contractor's reputation for quality and price, the scope and adequacy of the proposed supplies or services, whether the proposal meets the standards and specifications required for each new town and their social and environmental responsibility. Once the eligible tender has been selected, the project company works closely with the selected contractors in the execution of the development plans and closely monitor each phase of the construction to oversee the quality and timetable of completion of each new project and to control costs.

In addition, the Group requires construction companies to comply with PRC laws and regulations relating to the quality of construction as well as its own standards and specifications. The contractors are also subject to the Group's quality control procedures, including the examination of materials and supplies, on-site inspection and production of progress reports. The project company's contracts with suppliers and construction companies typically contain warranties for quality and penalties for failure to complete the construction timely. Annual reviews on suppliers including quality of materials and after-sales services are carried out to achieve quality assurance and satisfactory environmental protection practices on resource conservation. In order to manage the supply chain effectively, the Group would maintain good and long-term relationship with selected suppliers by establishing mutual trust and understanding.

B.6. *Product Responsibility*

As a new town developer, the Group focuses on planning and developing large-scale new town projects in the suburbs of some of PRC's largest cities. The business activities are extensively regulated by planning policies and other laws and regulations of the PRC Government including but not limited to The Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例) and Convention concerning Safety and Health in Construction (建築業安全衛生公約).

Before the commencement of the project construction, the Engineering Department of the project company shall compile the project quality management plan (工程質量管理規劃) in considering the characteristics of the project. The Group sets up the product quality targets and formulates the corresponding technical standards and construction plans in the project planning. Besides, the engineering department shall regularly check whether the progress of the construction is in line with the project plan. When a material deviation is found, decisive measures shall be taken to adjust and coordinate the construction plan immediately.

The project company has the responsibility of safe management throughout the whole process of construction and operation. The Group sets up the Rules for the Implementation of the Measures for the Administration of Work Safety (安全生產管理辦法實施細則) which is specific to the characteristics of project in order to improve and standardise the safety management system. It covers safety responsibility system, safety education and training, safety inspection and regular meeting, contingency plan for public emergencies and safety incident reporting mechanism. "Safety Production Agreement" (安全生產協議書) is signed with the general contracting units, the supervision units and the suppliers in committing to fulfil the safety responsibility according to the national laws, regulations and company's policies in the course of business. The project management department and engineering inspection working group (工程巡檢工作小組) carry out engineering inspection and appraise the work of project company on the quality of structural construction, landscaping and municipal engineering quality regularly. The safety and quality of the Group's properties are monitored at all stages of construction to ensure they meet the high standards and stringent requirements in place.

The Group offers the trial operation and the maintenance period to the government for municipal infrastructure projects. The project company should arrange relevant works and complete the rectification before obtaining the acceptance from government and transferring the project to the government administrative department in accordance with the relevant local administrative measures. In addition, the Group insures against liability for personal injuries that may occur to its employees during the construction of the Groups' properties. The Group also purchases employee-related insurance, such as medical insurance and social welfare insurance, for its employees.

The Group pays paramount importance to opinion from the government. If there are any problems on structural safety or other quality deficiencies during development process which result a punishment from government departments to construction unit, the consequences are borne by the direct responsible party, responsible leader and decision-makers. Information collected from government would only be used for the purpose for which it has been collected. The Group prohibits the provision of information to a third party without authorisation from the government. All collected personal data during the course of business are treated as confidential and kept securely, accessible by designated personnel only.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery as set out by the government of the PRC and Hong Kong such as Law of the PRC on Anti-money Laundering (中國反洗錢法) and Hong Kong's Prevention of Bribery Ordinance (防止賄賂條例).

All employees are expected to discharge their duties with integrity and self-discipline, and they are required to abstain from engaging in bribery, extortion, fraud and money laundering activities or any activities which might exploit their positions against the Group's interests and affect their business decision or independent judgment in the course of business operations. Commitment for integrity of Construction Project (建設工程廉政責任書) is included in the contractor contract for construction projects to regulate the contractors' behaviours by upholding the principles of openness, fairness, impartiality, integrity and transparency during the course of business. Furthermore, the Group emphasises on internal control enforcement and approval process management to enhancing the Group's awareness on the prevention and exploration of potential bribery, extortion, fraud and money laundering activities.

Employees lodge complaints and report any suspicious activities to Discipline Inspection Department (紀檢室) with full details and supporting evidence verbally or in writing. Discipline Inspection Department would conduct investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers from fear of threats and any disadvantage to the whistle-blowers' employment relationship. Where criminality is suspected after investigation, disciplinary actions will be taken, including termination of employment and reporting to the relevant regulators or law enforcement authorities.

Community

B.8. Community Investment

The Group believes that undertaking socially responsible initiatives is truly a win-win situation, not only will the Group appeal to socially conscious consumers and employees, but the Group will also make a real difference in the world by contributing love and care. The Group has been conducting charitable contributions activities to the weak person in society and its own employees who are in need time to time. During FY2016, the Group contributed money, cloth and stationery to the students in remote areas. The Group also contributed money in the environmental protection activities such as planting trees in the local community.

REPORT OF DIRECTORS

The directors of China New Town Development Company Limited (the "Company" and the "Directors", respectively) are pleased to present the annual report of the Company (the "Annual Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2016 (the "Financial Year").

PRINCIPAL ACTIVITIES

The Group is a new town developer in Chinese Mainland and was principally engaged in planning and developing large-scale new towns in the largest cities in the People's Republic of China (the "PRC") among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder of the Company, the Company's business model has been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on core national economic regions such as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio. The principal activities of its principal subsidiaries are set out in Note 3 to the audited consolidated financial statements on pages 88 to 93 of this Annual Report.

BUSINESS REVIEW

As regards the detailed review of the Company's business, principal risks and uncertainties facing, important events affecting the Company that have occurred since the end of the Financial Year, the likely future development in the Company's business and analysis using financial key performance indicators, please refer to the section headed "FINANCIAL REVIEW" on pages 15 to 18 of this Annual Report.

Environmental Policies and Performance

The Company complied with the relevant environmental laws, regulations and policies in the PRC during the Financial Year.

Details of the environmental policies and performance are set out in the ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL REPORT on pages 39 to 45 of this Annual Report.

Compliance with the relevant laws and regulations that have a significant impact on the Company

During the Financial Year, the Company was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on it.

Relationships with Employees, Customers, Suppliers and Others

The Group has good relationships with its employees, customers and suppliers. Ongoing professional development is important to the employees given the competitive business environment in which the Group operates. To ensure that employees continue to cultivate skills and knowledge for the fulfillment of their duties and responsibilities, the Group has provided various training programs to its staff. Information about their remuneration package is set out in the paragraph headed "EMOLUMENT POLICY" in this report.

Major Customers and Suppliers

We operate on a distinctive business model and the usual concept of customers under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) is not applicable to us. We receive a certain portion of the land premium from the relevant PRC land authorities when they sell land use rights over the land we develop to third party property developers through public auction, tender or listing.

During the Financial Year, purchases from our single largest supplier accounted for approximately 55% of our total purchases, while purchases from our five largest suppliers accounted for approximately 93% of our total purchases. The Directors were not aware of any interests of any Directors, their respective close associates (as defined under the Listing Rules) or any substantial shareholders (including any Director who held more than 5% of the Company's issued share capital) in the five largest suppliers or customers.

PERMITTED INDEMNITY PROVISION

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged and in force.

Pursuant to the articles of association of the Company (the "AoA"), if a Director acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, he had no reasonable cause to believe that his conduct was unlawful, the Directors shall be indemnified against all expenses including legal fees, and against all judgment, fines and amounts paid in settlement and reasonably incurred in connection with legal administrative or investigative proceedings.

RESULTS AND APPROPRIATIONS

The Group's results for the Financial Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this Annual Report.

The board of Directors (the "Board") has resolved not to recommend any payment of final dividend for the Financial Year (2015: Nil).

RESERVES

Details of the movements in the reserves of the Group and the Company during the Financial Year are set out in Notes 25 to the audited consolidated financial statements on pages 113 to 114 of this Annual Report.

DISTRIBUTABLE RESERVES

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The AoA provide that before recommending any dividends, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Financial Year are set out in Note 24 to the audited consolidated financial statements on page 113 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the AoA which would oblige the Company to offer new shares of the Company (the "Shares") on a pro-rata basis to the shareholders of the Company (the "Shareholders").

TAXATION IN THE BRITISH VIRGIN ISLANDS ("BVI")

The Company is a BVI business company. A BVI business company is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

DONATIONS

During the Financial Year, the Group has not made any donation (2015: NIL).

FIXED ASSETS

Details of the movements of the Group during the Financial Year for:

— Property, plant and equipment are set out in Note 18 to the audited consolidated financial statements on page 109 of this Annual Report.

GROUP'S FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 14 of this Annual Report.

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

During the Financial Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such listed securities. A voluntary delisting from the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to a conditional cash exit offer by way of selective share buyback was approved by the Shareholders at an extraordinary general meeting of the Company (the "EGM") held on 17 January 2017. On 14 February 2017, the 119,873,330 Shares which had been validly tendered were cancelled, and the issued share capital of the Company has been reduced from 9,846,119,747 Shares to 9,726,246,417 Shares.

MOVEMENT IN SECURITIES

As at 31 December 2016, the total number of issued Shares was 9,846,119,747 Shares.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the Financial Year and as at the date of this Annual Report.

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements during the Financial Year.

DIRECTORS

The Directors in office during the Financial Year and as at the date of this report were:

Executive Directors

Liu Heqiang *(Chief Executive Officer)*
Yang Meiyu
Ren Xiaowei
Shi Janson Bing *(appointed on 12 August 2016)*

Non-executive Directors

Fan Haibin *(retired on 13 May 2016)*
Wei Wei *(Chairman) (appointed on 13 May 2016)*
Zuo Kun *(Vice Chairman)*
Li Yao Min *(Vice Chairman)*
Xie Zhen

Independent Non-executive Directors

Henry Tan Song Kok
Kong Siu Chee
Zhang Hao
E Hock Yap

Pursuant to Article 86(1) of the AoA, Mr. Kong Siu Chee, Mr. Li Yao Min, Ms. Yang Meiyu and Mr. Zhang Hao will retire by rotation, and pursuant to Article 85(7) of the AoA, Mr. Wei Wei and Mr. Shi Janson Bing who were appointed by the Board after the annual general meeting of the Company (the "AGM") held on 29 April 2016 will retire, at the 2017 AGM. Therefore, the Nomination Committee of the Board recommends the re-election of Mr. Kong Siu Chee, Mr. Li Yao Min, Ms. Yang Meiyu, Mr. Zhang Hao, Mr. Wei Wei and Mr. Shi Janson Bing after assessing their contribution and performance. All the aforesaid retiring Directors, being eligible, have offered themselves for re-election thereat.

None of the Directors proposed for re-election at the forthcoming 2017 AGM has a service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 19 to 23 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Financial Year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

From the beginning of the Financial Year to the date of this report, none of the Directors is considered to have an interest in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

INTERESTS IN SIGNIFICANT CONTRACTS OF DIRECTORS, CHIEF EXECUTIVES AND CONTROLLING SHAREHOLDERS

Save as disclosed below and under the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this Annual Report, none of the Directors, chief executives or controlling shareholders (as defined in the Listing Rules) of the Company has entered into any significant contract in relation to the business of the Group, in which they had a material interest, directly or indirectly and which subsisted at the end of, or at any time during the Financial Year.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and selective subsidised training. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

Pension Schemes

In Hong Kong, we operate a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable. Our contributions as employer vest fully with the employees when we contribute to the scheme. We contribute 5% of the relevant monthly salary to such scheme and our employees contribute the lower of HK$1,500 or 5% of their monthly salary to such scheme as employee mandatory contributions.

In the PRC, we participate in the relevant social insurance contribution plans organized by the relevant local governmental bodies. In accordance with relevant PRC laws, members of our Group operating in the PRC are required to pay a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity (where applicable) for their relevant employees. We are also required by the relevant PRC regulations to register with a competent housing provident fund management centre and make contributions to the respective housing provident funds for our employees.

Details of the employer's pension cost for the Financial Year are set out in Note 32 of the audited consolidated financial statements on pages 117 to 118 of this Annual Report.

CORPORATE GOVERNANCE

The Corporate Governance Report for the Financial Year is set out on pages 25 to 38 of this Annual Report.

CONNECTED TRANSACTIONS

On 2 March 2016, CDB New Town (Beijing) Asset Management Co., Ltd. (國開新城(北京)資產管理有限公司)("CDB New Town (Beijing) AM") and Sheng Qi Investment Fund Management Company Limited (晟麒(嘉興)投資管理有限公司) ("Sheng Qi IFM"), the wholly-owned subsidiaries of the Company, and CDB Jingcheng (Beijing) Investment Fund Company Limited (國開精誠(北京)投資基金有限公司) ("CDB Fund"), had entered into a limited partnership agreement (the "Agreement") in relation to (i) the establishment of an investment partnership, CDB New Town New-type Urbanization Development Fund (Limited Partnership) (國開新城新型城鎮化發展基金(有限合夥)) (tentative name), comprising a total capital amount of RMB5 billion (the "Investment Partnership"), and (ii) the governance of the relationship between the investors of the Investment Partnership.

As at the date of the report, China Development Bank International Holding Limited ("CDBIH") has a direct interest in 5,347,921,071 Shares in the Company, and CDBC, being the holding company of CDBIH, has an indirect interest in the same 5,347,921,071 Shares in the Company, representing approximately 54.32% of the issued share capital of the Company. Accordingly, CDBIH and CDBC are controlling shareholders of the Company under the Listing Rules. CDB Fund, being a fund wholly managed by CDBC, is an associate of CDBC. CDB New Town (Beijing) AM and Sheng Qi IFM, both are wholly-owned subsidiaries of the Company. Accordingly, they were regarded as connected persons within the meaning of Chapter 14A of the Listing Rules. Thus, the Agreement and the transactions contemplated thereunder (the "Transactions") constitute a connected transaction of the Company. For details, please refer to the announcement published by the Company on 2 March 2016.

Save as disclosed, none of the directors, controlling shareholder or substantial shareholder of the Company has any interest, direct or indirect, in the Agreement and/or Transactions. For good corporate governance practice, each of Mr. Fan Haibin, Mr. Zuo Kun, Mr. Li Yao Min, Mr. Liu Heqiang, Ms. Yang Meiyu, Mr. Ren Xiaowei and Mr. Xie Zhen has abstained from voting on the resolutions of the Board approving the Agreement.

As stated in the announcement dated 18 October 2016, the Company proposed to seek a voluntary delisting of its Shares from the Official List of the SGX-ST pursuant to Rules 1307 and 1309 of the SGX-ST Listing Manual (the "Delisting"). Pursuant to the proposed Delisting, the Company proposed to make a conditional cash exit offer to Shareholders by way of a selective share buyback under the BVI Business Companies Act (the "Selective Share Buy-back") and the AoA, which would involve the Company buying back and cancelling all tendered Shares. The cash exit offer was a share buyback by way of general offer for the purposes of the Code on Share Buy-backs of Hong Kong. If all the available Shares are bought back and cancelled in the Delisting, S$175,366,876 (approximately HK$977,353,537 at the exchange rate by that date) would be payable by the Company to the tendering Shareholders. The Delisting would be funded by internal cash resources of the Company and/or the Shareholder's loan. The Shareholder's loan referred to the loan of US$75,000,000 (approximately HK$581,925,000 at the exchange rate by that date) extended by the Company's controlling shareholder CDBIH for the purposes of the Delisting.

CONTINUING CONNECTED TRANSACTIONS

There were no continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the Financial Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the Financial Year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

SECURITIES INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long Position in the Shares

	Number of Shares				
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of the issued share capital**
Li Yao Min	8,352,672	–	–	8,352,672	0.085%
Henry Tan Song Kok	600,000	–	–	600,000	0.006%

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2016, to the best of the Directors' knowledge, the following persons or organizations (other than a Director and the chief executive of the Company) had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Long Position in the Shares

Name of substantial shareholders	Number of Shares Direct interest	Corporate interest	Other interests	Total	Approximate percentage of the issued share capital
China Development Bank International Holdings Limited ("CDBIH")[(1) (2)]	5,347,921,071	–	1,468,356,862	6,816,277,933	69.23%
China Development Bank Capital Corporation Limited ("CDB Capital")[(1) (2)]	–	5,347,921,071	1,468,356,862	6,816,277,933	69.23%
China Development Bank Corporation ("CDB")[(1) (2)]	–	5,347,921,071	1,468,356,862	6,816,277,933	69.23%
SRE Investment Holding Limited ("SREI")[(3)]	1,468,356,862	–	5,347,921,071	6,816,277,933	69.23%
Shi Jian ("Mr. Shi")[(4)]	6,104,938	6,816,277,933	1,090	6,822,383,961	69.29%

Notes:

(1) Pursuant to the conditional subscription agreement (the "Subscription Agreement") dated 10 October 2013 entered into between the Company, CDBIH and SREI, CDBIH is deemed under sections 317 and 318 of the SFO to be interested in the 1,468,356,862 Shares held by SREI.

(2) CDBIH is a wholly-owned subsidiary of CDB Capital and CDB Capital, in turn, is wholly owned by CDB. Both CDB and CDB Capital are, therefore, deemed under Part XV of the SFO to be interested in the 5,347,921,071 Shares held by CDBIH and pursuant to the SFO, both CDB and CDB Capital are deemed interested in the 6,816,277,933 Shares in which CDBIH is interested.

(3) Pursuant to the Subscription Agreement mentioned in (1) SREI is deemed under sections 317 and 318 of the SFO to be interested in the 5,347,921,071 Shares held by CDBIH.

(4) Pursuant to Part XV of the SFO, Mr. Shi is deemed interested in a total of 6,816,279,023 Shares for the following reasons: (i) Mr. Shi is deemed interested in 1,468,356,862 Shares held by SREI by virtue of the fact that he and his wife, Ms. Si Xiao Dong ("Ms. Si") together beneficially own 66% of the issued share capital of SREI as a controlling shareholder; (ii) pursuant to the Subscription Agreement mentioned in (1), SREI is deemed under sections 317 and 318 of the SFO to be interested in 5,347,921,071 Shares held by CDBIH, and Mr. Shi is accordingly also deemed interested in such Shares which SREI is deemed interested; and (iii) Mr. Shi is deemed interested in 1,090 Shares held by Ms. Si by virtue of the fact that she is his wife.

Save as disclosed above, the Directors are not aware of any other person (other than a Director or the chief executive of the Company) who, as at 31 December 2016, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company under the SFO.

CNTD SHARE OPTION SCHEME (THE "SCHEME")

(a) Purpose of the Scheme

The purpose of the Scheme is to provide the participants working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with incentives to work better for the interests of the Group and/or rewards for their contribution and support to the Group's success and development.

(b) Participants and Eligibility

The remuneration committee of the Board (the "RC") may, at its discretion, invite any executive or non-executive Directors including independent non-executive Directors (the "INEDs") or any employees (whether full-time or part-time) of any member of the Group or the parent group to take up share options to subscribe for Shares and in determining the basis of eligibility of the participants, the RC would take into account such factors as the RC may at its discretion consider appropriate and recommend to the Board for approval.

The controlling shareholders of the Company and their spouse, child, adopted child, step-child, brother, sister and parent shall not be eligible to participate in the Scheme.

(c) Maximum Number of Shares Available for Subscription

The Company shall not grant share options which in aggregate exceed 9,84,611,974 Shares, representing 10.0% of the total number of shares in issue as at the date of the adoption of the Scheme, unless the Company obtains an approval from its shareholders.

Notwithstanding the provision above, all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 15.0% of the Shares in issue from time to time.

(d) Maximum Entitlement of Shares of Each Participant

Subject to the statement below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of Shares in issue. The total number of Shares issued and to be issued upon exercise of the options granted for any participant who is a substantial shareholder or an INED, or any of their respective associates, in the 12-month period shall not representing in aggregate more than 0.1% of the total number of Shares in issue on the relevant date and having an aggregate value, based on the closing price of the Shares as stated in the HKEx's daily quotations sheet on the relevant date, in excess of HKD5 million.

(e) Period for Taking up an Option

The Scheme is subject to the administration of the RC. The RC would take into account the factors in compliance with the listing requirements and the provisions of the Scheme as the RC may at its discretion consider appropriate. As at the date of this Annual Report, the RC has not granted any option nor considered the terms and conditions of the grant of options since the adoption of the Scheme.

(f) Minimum Period for Holding an Option Before Exercise

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the original participant (the "Grantee") at any time during the period to be determined by the RC at its absolute discretion and notified by the RC to each Grantee as being the period during which an option may be exercised and in any event, such period shall not commence until after the first anniversary of the date on which an offer is made to a participant (the "Offer Date") and shall not be longer than 10 years from the Offer Date.

(g) Amount Payable on Acceptance of the Option

The option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee together with a remittance in favor of the Company of HKD1.00 by way of consideration for the granting thereof is received by the Company within the acceptance period. Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.

(h) Exercise Price

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the RC and shall be at least the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheet of the HKEx on the Offer Date; and

(ii) a price being the average of the closing prices of the Shares as stated in the daily quotations sheet of the HKEx for the 5 business days immediately preceding the Offer Date.

(i) Duration of the Scheme

The Scheme shall be valid and effective for a period of 10 years commenced since the adoption date of 3 September 2010.

During the Financial Year, no option of the Company or any corporation in the Group was granted under the Scheme. Therefore, no share options were exercised or cancelled or lapsed during the Financial Year and there were no outstanding options under the Scheme as at 31 December 2016.

DIRECTORS RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the Financial Year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the audited consolidated financial statements of the Group for the Year and except that each of Mr. Fan Haibin, Mr. Wei Wei, Mr. Zuo Kun, Mr. Li Yao Min, Mr. Liu Heqiang, Mr. Xie Zhen, Ms. Yang Meiyu, Mr. Ren Xiaowei and Mr. Shi Janson Bing, has an employment relationship with the Company, and some of them have received remuneration in that capacity. The particulars of the service agreements and the appointment letters are set out below:

Name of Directors	Date of service agreement(s)/ appointment letter(s)	Term	Fixed annual remuneration	Termination notice period/ payment in lieu of notice
Executive Directors				
Liu Heqiang	28 March 2016	3 years	HKD1.16 million	6 months
Yang Meiyu	28 March 2016	3 years	HKD830,000	6 months
Ren Xiaowei	28 March 2016	3 years	HKD830,000	6 months
Shi Janson Bing[(1)]	12 August 2016	1 year	HKD800,000	1 month
Non-executive Directors				
Fan Haibin[(2)]	–	–	–	1 month
Wei Wei[(3)]	13 May 2016	3 years	–	1 month
Zuo Kun	28 March 2016	3 years	–	1 month
Li Yao Min	22 October 2016	1 year	HKD800,000	1 month
Xie Zhen	28 March 2016	3 years	–	1 month

Name of Directors	Date of service agreement(s)/ appointment letter(s)	Term	Fixed annual remuneration	Termination notice period/ payment in lieu of notice
INEDs				
Henry Tan Song Kok	22 October 2016	1 year	SGD80,000 plus a meeting allowance of SGD2,800	1 month
Kong Siu Chee	22 October 2016	1 year	S$70,000 per annum plus a meeting allowance of S$2,800	1 month
Zhang Hao	22 October 2016	1 year	HKD260,000	1 month
E Hock Yap	22 October 2016	1 year	HKD0.33 million	1 month

(1) Mr. Shi Janson Bing was appointed as an Executive Director on 12 August 2016.

(2) Mr. Fan Haibin retired as a Non-executive Director and ceased to be the Chairman on 13 May 2016.

(3) Mr. Wei Wei was appointed as the Chairman and a Non-executive Director on 13 May 2016.

AUDIT COMMITTEE

The audit committee of the Board (the "AC") comprises the following members:

Mr. Henry Tan Song Kok *(Lead INED and Chairman of the AC)*
Mr. Zhang Hao *(INED)*
Mr. E Hock Yap *(INED)*

The AC has recommended to the Board the nomination of Ernst & Young ("EY") for re-appointment as the Company's external independent auditor at the forthcoming 2017 AGM.

The functions performed by the AC (including the review of the audited consolidated financial statements of the Group for the Financial Year) are detailed in the Corporate Governance Report.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past three years.

The consolidated financial statements of the Group for the Financial Year have been audited by EY who will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2017 AGM. A resolution to re-appoint EY as the independent auditor of the Company and to authorise the Directors to fix their remuneration will be proposed at the 2017 AGM.

For and on behalf of the Board

Wei Wei
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

31 March 2017

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China New Town Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 130, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
The substantial disposal agreement with SRE and the Disposal Transactions	
In October 2013, the Company entered into an agreement with SRE Investment Holding Limited ("SREI") (the "Disposal Master Agreement"), pursuant to which the Company conditionally agreed to sell and SREI conditionally agreed to purchase, within 24 months upon completion of the share subscription of China Development Bank International Holdings Limited ("CDBIH"), specified assets and liabilities not relating to the Group's main principal business in Mainland China (the "Disposal Assets") for a total consideration of RMB2,069 million. Certain of the Disposal Assets were disposed by the Group in previous years. In April 2016, the Company entered into an agreement regarding the disposal of a number of the remaining Disposal Assets (the "Disposal Agreement") with SRE Group Limited ("SRE") and SREI, pursuant to which, and consistent with the terms and conditions set out in the Disposal Master Agreement, certain of the Disposal Assets held by Shanghai Golden Luodian Development Co., Ltd. (the "Shanghai Disposal Assets") would be disposed to SRE for a consideration of RMB238 million. Of these, the ownership of certain assets such as (i) the rights and obligations relating to the lease of Lake Malaren Golf Course and (ii) the 72.63% equity interest in Shanghai Lake Malaren Real Estate Development Co., Ltd. was deemed to have been transferred upon the fulfilment of certain conditions. The Group ceased to consolidate the Shanghai Disposal Assets when it no longer had control over them. Significant judgement is required when determining whether the Group still retains control over the Shanghai Disposal Assets, especially those that are deemed to have been transferred upon the fulfillment of certain conditions. The disclosures about the Shanghai Disposal Assets are included in Note 9 to the consolidated financial statements.	In assessing management's judgements about when the Group lost control over the Shanghai Disposal Assets, and the appropriateness of the accounting treatment and related disclosures in the financial statements, we had inquired and discussed with management about their determination as to when the conditions included in the Disposal Agreement had been met, examined the board resolutions for the sale of the Shanghai Disposal Assets to SRE and the approvals from the head office of China Development Bank, the ultimate holding company, and from the extraordinary general meeting of SRE. We had also discussed with management about their judgements as to whether significantly all risks and awards were transferred upon the fulfilment of the conditions related to the deemed transferred disposal assets. We also examined the cash consideration received and other corresponding documents, and re-calculated the disposal gain.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of complex investments	
The Group holds a number of investments, which includes investments made during the year. As at 31 December 2016, RMB2,067 million, RMB32 million and RMB99 million of such investments were classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss respectively. Certain contractual arrangements of these investments are complex as they may be equity investments in legal form but debt securities in substance, which in turn can affect their accounting classification and subsequent measurement consequently. The disclosures about the recognition and measurement of the above financial assets are included in Notes 5, 15, 16, and 17 to the consolidated financial statements.	For the investments made during the year, our procedures included examining the investment agreements to ensure that the terms and conditions of the agreements had been analyzed by considering the possible effect on the accounting treatment, understanding from management about the business rationale of these transactions, and determining whether the purchase of the investments had been authorized and approved in accordance with the Group's policies. We also assessed management's classification of the investments, and examined the subsequent measurement. For those investments held at the end of the reporting period, we evaluated management's analysis and assessment of the impairment of the investments.
Revenue from the development of land	
The Group's revenue from land development for sale comprises of two components, namely the revenue from the development of land infrastructure, and revenue from the development of ancillary public facilities. Revenue attributable to land infrastructure is recognized in full upon the sale of the relevant land use rights by the local government and when the specific construction works are completed, whereas revenue attributable to ancillary public facilities is recognized at the time of the sale of land infrastructure for the portions of ancillary facilities completed at that time, and thereafter upon the completion of the remaining facilities. The allocation of revenue between these two components is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component. Significant management judgement is required in assessing the relative fair values, and also in assessing the portions of the works completed. For the current year, all the revenue of RMB22 million in respect of the Group's land development was derived from the ancillary public facilities, based on the progress of completion. The disclosures about the revenue from land development, including the accounting policies for revenue recognition are included in Notes 2.3, Note 2.4 and Note 5 to the consolidated financial statements.	In assessing the revenue recognized for the ancillary public facilities, we evaluated the significant judgements made by management, which included an examination of the project documentation and other supporting documents, and an assessment of compliance with the applicable regulations. We also discussed the status of the projects under construction with management, assessed the total estimated budget cost made by management, by comparison with completed projects in previous years and projects in the market, evaluated the completion status of projects under construction, and recalculated the percentage of completion. Our testing also included the agreement of costs to invoices and to the project contracts.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2016	2015*
Continuing operations			
Operating income		**303,088**	210,837
Revenue	5	**244,572**	163,962
Other income	6	**58,516**	46,875
Operating expenses		**(334,524)**	(182,941)
Cost of sales	7	**(46,164)**	(12,445)
Selling and administrative expense	7	**(126,207)**	(97,745)
Finance costs	8	**(104,595)**	(69,230)
Other expenses	6	**(57,558)**	(3,521)
Operating (loss)/profit		**(31,436)**	27,896
Gain on disposal of subsidiaries and a joint venture	9	**103,444**	60,378
Share of loss of joint ventures	4	**(1,204)**	(51)
Profit before tax from continuing operations		**70,804**	88,223
Income tax	10	**(3,651)**	5,254
Profit for the year from continuing operations		**67,153**	93,477
Discontinued operations			
Loss after tax for the year from discontinued operations	14	**(34,065)**	(125,359)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	9	**301,277**	67,683
Profit for the year		**334,365**	35,801
Other comprehensive income, net of tax		**–**	–
Total comprehensive income net of tax		**334,365**	35,801
Attributable to:			
Equity holders of the parent		**322,654**	65,141
Non-controlling interests		**11,711**	(29,340)
		334,365	35,801
Earnings per share (RMB per share) attributable to ordinary equity holders of the parent:			
Basic and diluted, profit for the year	13	**0.0328**	0.0066
Basic and diluted, profit from continuing operations	13	**0.0106**	0.0108

* The Group affirmed that investment in urbanization development is the Group's principal activity. Therefore, the Company adjusted its disclosure of revenue to reflect such changes. The 2015 comparative information was restated to conform with the current year's presentation and disclosures (Note 5).

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2016	2015
Assets			
Non-current assets			
Investment in a joint venture	4	**49,297**	10,595
Loans and receivables	15	**1,067,277**	690,000
Available-for-sale financial assets	16	**32,000**	32,000
Financial assets at fair value through profit or loss	17	**818,673**	68,874
Property, plant and equipment	18	**9,232**	39,792
Prepaid land lease payments	19	**2,552**	11,657
Deferred tax assets	10	**70,023**	56,191
Other assets		**9,085**	10,744
Total non-current assets		**2,058,139**	919,853
Current assets			
Land development for sale	20	**1,562,429**	1,546,483
Prepayments		**3,068**	1,675
Other receivables	21	**1,070,245**	1,415,727
Trade receivables	22	**62,408**	59,218
Loans and receivables	15	**1,000,000**	570,488
Other current assets		**6,285**	–
Cash and bank balances	23	**2,349,397**	1,568,656
Assets classified as held for sale	14	**–**	4,803,516
Total current assets		**6,053,832**	9,965,763
Total assets		**8,111,971**	10,885,616
Equity and liabilities			
Attributable to:			
Equity holders of the parent:			
Share capital	24	**4,110,841**	4,110,841
Other reserves	25	**579,270**	579,270
Accumulated losses		**(776,500)**	(1,099,154)
		3,913,611	3,590,957
Non-controlling interests		**364,256**	293,465
Total equity		**4,277,867**	3,884,422

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2016	2015
Non-current liabilities			
Senior guaranteed notes	26	**1,294,201**	1,290,490
Interest-bearing bank and other borrowings	27	**275,528**	309,030
Deferred tax liabilities	10	**23,710**	21,151
Total non-current liabilities		**1,593,439**	1,620,671
Current liabilities			
Interest-bearing bank and other borrowings	27	**520,950**	365,000
Trade payables	29	**114,466**	149,942
Other payables and accruals	30	**211,189**	270,964
Advances received for the settlement of the Disposal Assets		**538,975**	538,975
Deferred revenue arising from land development	28	**352,794**	352,794
Current income tax liabilities		**383,740**	336,628
Financial liabilities at fair value through profit or loss	31	**118,551**	–
Liabilities directly associated with assets classified as held for sale	14	**–**	3,366,220
Total current liabilities		**2,240,665**	5,380,523
Total liabilities		**3,834,104**	7,001,194
Total equity and liabilities		**8,111,971**	10,885,616
Net current assets		**3,813,167**	4,585,240
Total assets less current liabilities		**5,871,306**	5,505,093

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Wei Wei
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

		Attributable to equity holders of the parent					
	Notes	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2015	24/25	4,110,841	579,270	(1,164,295)	3,525,816	321,620	3,847,436
Total comprehensive income/(loss)		–	–	65,141	65,141	(29,340)	35,801
Disposal of subsidiaries		–	–	–	–	1,185	1,185
As at 31 December 2015 and 1 January 2016	24/25	**4,110,841**	**579,270**	**(1,099,154)**	**3,590,957**	**293,465**	**3,884,422**
Total comprehensive income		**–**	**–**	**322,654**	**322,654**	**11,711**	**334,365**
Capital injection by non-controlling interests		**–**	**–**	**–**	**–**	**20,577**	**20,577**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**38,503**	**38,503**
As at 31 December 2016	24/25	**4,110,841**	**579,270**	**(776,500)**	**3,913,611**	**364,256**	**4,277,867**

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2016	2015
Cash flows from operating activities			
Profit before tax from continuing operations		**70,804**	88,223
Profit/(loss) before tax from discontinued operations		**314,212**	(53,954)
Profit before tax		**385,016**	34,269
Adjustments for:			
Impairment of other receivables	6	**13,146**	1,303
Depreciation of property, plant and equipment		**2,078**	2,260
Amortisation of prepaid land lease payments	19	**377**	377
Amortisation of intangible assets		**320**	126
Loss/(gain) on disposal of prepaid land lease payment, property, plant and equipment		**38,227**	(2,507)
Net fair value gain on financial assets/liabilities at fair value through profit or loss	6	**(10,184)**	(2,925)
Gain on disposal of subsidiaries and a joint venture	9	**(451,721)**	(128,061)
Interest expense on financial liabilities at fair value through profit or loss	8	**3,051**	–
Share of loss from a joint venture	4	**1,204**	51
Interests from loans and receivables	5	**(200,533)**	(96,940)
Interests from bank deposits	6	**(34,816)**	(38,106)
Interest expense on bank and other borrowings		**59,740**	95,671
Interest expense on senior guaranteed notes	8	**75,406**	49,447
Foreign exchange loss/(gain)	6	**4,179**	(1,483)
Operating loss before working capital changes		**(114,510)**	(86,518)
(Increase)/decrease in land development for sale		**(15,946)**	2,596
Increase in properties under development for sale		**(242,548)**	(30,580)
Decrease in prepaid land lease payments		**34,165**	13,703
Decrease in inventories		**3,038**	473
(Increase)/decrease in prepayments		**(29,795)**	29,621
Increase in other receivables and other current assets		**(256,911)**	(344,421)
Increase in trade receivables		**(13,787)**	(81,007)
Decrease/(increase) in prepaid income tax		**25,158**	(11,550)
Decrease in deferred revenue arising from sale of golf club memberships		**(11,995)**	(16,811)
Decrease in deferred revenue arising from land development		**–**	(30,922)
Increase in advances from customers		**142,738**	36,722
Increase in trade and other payables		**807,264**	737,252
		326,871	218,558
Income tax paid		**(10,478)**	(25,592)
Net cash inflow from operating activities		**316,393**	192,966

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2016	2015
Cash flows from investing activities			
Purchases/construction of property, plant and equipment		(17,424)	(33,965)
Proceeds from disposal of property, plant and equipment		–	53
Payments for investment properties		–	(4,723)
Payments for intangible assets		(60)	(1,814)
Disposal of subsidiaries and a joint venture		2,237,753	667,716
Acquisition of a subsidiary		6,609	–
Investment in a jointly-controlled entity		(50,000)	–
Investments in available-for-sale financial assets		–	(32,000)
Investments in loans and receivables		(806,789)	(770,488)
Interest received from loans and receivables		193,729	20,158
Investments in financial assets at fair value through profit or loss		(739,563)	(65,949)
Dividends received from financial assets at fair value through profit or loss		6,804	–
Interest received from bank deposits		34,816	38,106
Payments of expenses incurred for the transaction cost of the Disposal		(2,975)	(4,987)
Net cash inflow/(outflow) from investing activities		862,900	(187,893)
Cash flows from financing activities			
Proceeds from issuance of senior guaranteed notes		–	1,288,057
Proceeds from non-controlling interests		3,200	–
Proceeds from bank and other borrowings		30,000	572,500
Repayment of bank and other borrowings		(743,169)	(547,629)
Proceeds from borrowing from a related party		502,560	–
Repayment of borrowing from a related party		(200,000)	(500,000)
Cash released from restricted deposits in relation to interest payments for bank borrowings		206,186	–
Proceeds received from other interest holders of consolidated structured entity		118,500	–
Cash placed as restricted deposits in relation to bank borrowings		–	(206,186)
Interest paid		(139,085)	(114,950)
Net cash (outflow)/inflow from financing activities		(221,808)	491,792
Net increase in cash and cash equivalents		957,485	496,865
Effect of exchange rate changes on cash and cash equivalents		18,753	–
Cash and cash equivalents at beginning of year		1,373,159	876,294
Cash and cash equivalents at end of year	23	2,349,397	1,373,159

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

1. CORPORATE AND GROUP INFORMATION

China New Town Development Company Limited (the "Company") was incorporated on 4 January 2006 in the British Virgin Islands (the "BVI"). After a series of reorganisations, on 14 November 2007, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") by way of introduction. As a result, the Company was once dual-listed on the Main Boards of both the SGX-ST and the HKEx. The Company voluntarily delisted from the SGX-ST on 17 February 2017 (see Note 40).

The Company with its subsidiaries (the "Group") is a new town developer in Mainland China and is principally engaged in planning and developing large-scale new towns in China's largest cities, among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder, the Company's business models has been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on such core national economic regions as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio.

The Company used to be a subsidiary of SRE Group Limited ("SRE"), a company listed on the HKEx since September 2009. During 2012, SRE disposed of its entire holding of shares in the Company to SRE's own shareholders via a special dividend in the form of a distribution in species. Upon completion of that distribution, in October 2012, SRE no longer held any shares in the Company and ceased to be the parent of the Company. As a result of that distribution, SRE Investment Holding Limited ("SREI"), the parent of SRE became the largest shareholder of the Company.

On 10 October 2013, the Company, China Development Bank International Holdings Limited ("CDBIH") and SREI entered into a share subscription agreement (the "Subscription Agreement"), pursuant to which CDBIH had agreed to subscribe for 5,347,921,071 new shares of the Company subject to the terms and conditions contained therein (the "Subscription"). The Subscription was completed in the first quarter of 2014. As a result, CDBIH, a wholly-owned subsidiary of CDB Capital, became the largest shareholder of the Company.

As an appendix to the Subscription Agreement, there was a disposal master agreement (the "Disposal Master Agreement") between the Company and SREI to dispose of the specified assets and liabilities not relating to the Group's principal business of planning and development of new town projects in the Mainland China (the "Disposal Assets"). Execution of the Disposal Assets are included in Note 14.

In the opinion of the directors of the Company (the "Directors"), since the completion of the share subscription of CDBIH, the Company's ultimate holding company is China Development Bank Corporation ("CDB"), which holds 54.32% of the issued share capital of the Company.

Subsidiaries

The principal activities of the subsidiaries are disclosed in Note 3 below.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB").

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

(a) Basis of consolidation

The consolidated financial statements include the financial statement of the Company and its subsidiaries 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. Specifically, the Group controls an investee if, and only if, the Group has:

(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

(b) Exposure, or rights, to variable returns from its involvement with the investee

(c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has 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(s) with the other vote holders of the investee

(b) Rights arising from other contractual arrangements

(c) The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if it results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

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 the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Operating cycle

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amended standards and interpretations

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these new and revised IFRSs currently has had no significant impact on these financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have had no significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have had no impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have had no significant impact on the Group's financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRSs electing to use the equity method in its separate financial statements, they are required to apply this method from the date of transition to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have had no impact on the Group's consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amended standards and interpretations (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and did not have any impact on the Group as the Group did not apply the consolidation exception.

Annual Improvements to IFRSs 2012–2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) *Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) *Applicability of the amendments to IFRS 7 to condensed interim financial statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements to IFRSs 2012–2014 Cycle (continued)

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments have had no impact on the Group.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and assumptions

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 disclosed below:

(i) Carrying amount of land development for sale

The Group's land development for sale is stated at the lower of cost and net realisable value.

Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land infrastructure and attributable to ancillary public facilities and infrastructure, and its net realisable value, i.e., the revenue to be derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land development for sale over their net realisable values should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land development for sale a in the periods in which such estimate is changed will be adjusted accordingly.

(ii) Deferred tax assets and liabilities

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities, please see Note 10.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(iii) Impairment of receivables

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

(iv) Useful lives and impairment 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. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management 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 when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. 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 the value in use, the calculation of which involves the use of estimates.

(v) Measurement of revenue from land development

Revenue from the development of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses is allocated and recognised separately. The allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component, as the nature of construction works for the components is similar.

Revenue attributable to land infrastructure is recognised in full upon the sale of the relevant land use rights and the specific construction works are completed. However, revenue attributable to ancillary public facilities is recognised for the portions of ancillary public facilities completed at the sale of the land. The remaining revenue attributable to uncompleted portions of ancillary public facilities is recognised as deferred revenue as a current liability in the statement of financial position, and will be recognised as revenue when the related construction works are completed.

(vi) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 38 for further disclosures.

(vii) Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgements the Group used in determining whether or not it has control over the structured entities are detailed in Note 3 (c).

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note 2.1 (a).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

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 unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date less any impairment losses. Goodwill, if any, relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the investor. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of loss of a joint venture' in the statement of profit or loss and other comprehensive income.

Upon loss of 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on the current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments, such as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, at fair value at the end of each reporting period. Also, the fair values of financial instruments are disclosed in Note 38.

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 to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — 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 re-assessing 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(a) 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 at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing 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 net changes in fair value presented as other income in the statement of profit or loss and other comprehensive income.

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 profit or loss. Reassessment only occurs if there is 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.

(b) 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 financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less 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 EIR. The EIR amortisation and the losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

This category generally applies to loans and receivables, trade receivables and other receivables. For more information on loans and receivables, refer to Notes 15, 21 and 22.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less 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 EIR. The EIR amortisation and the losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

(d) Available-for-sale (AFS) financial investments

AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that 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 the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS financial investments reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS financial investments reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is 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 the management has the ability and intention to hold these assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS 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 EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, the amount recorded in equity is reclassified to 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 or from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where 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 risks and rewards of ownership. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred since the initial recognition of the asset (an incurred "loss event") and that loss event has 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.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of 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.

If there is objective evidence that an impairment loss has been incurred, 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 (excluding future expected 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, 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 in the statement of profit or loss and other comprehensive income.

(b) Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the 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. When there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income — is removed from OCI and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bank and other borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank and other borrowings, financial liabilities at amortised cost and financial liabilities at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade payables, senior guaranteed notes, and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in profit or loss.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(b) *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 sale in the near term. 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 profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

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

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 profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), 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. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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 (10% of the cost) over its estimated useful life. The estimated useful lives for this purpose are as follows:

Hotel properties	Building 30 years, equipment 10 years, fixtures and fittings 5 years
Other buildings	20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

When 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 prospectively if appropriate, at the end of each reporting period.

An item of property, plant and equipment 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 profit or loss in the year the asset is derecognised is the difference between the fair value less cost to sell and the carrying amount of the relevant asset.

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalised interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Any excess of cost over the net realisable value of individual items of land development for sale is recognised as an allowance.

Inventories

Inventories, which mainly refer to supplies and low-value consumables used in hotel and golf course operations, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables relating to golf course and hotel operations are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realisable value is determined based on contract prices or market prices.

Any excess of cost over the net realisable value of individual items of inventories is recognised as an allowance.

Cash and cash equivalents

For the purpose of the 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than land development for sale, inventories, deferred tax assets, financial assets, investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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 assessment is made at each reporting date as to whether there is any 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 certain financial assets 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 profit or loss in the period in which it arises.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost. The subsequent measurement of prepaid land lease payments is as follows:

(i) Prepaid land lease payments incurred for properties other than investment properties and investment properties under construction (after the adoption of IAS 40 revised), they are amortised over the lease terms on the straight-line basis. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in profit or loss.

(ii) Prepaid land lease payments included in investment properties and investment properties under construction (after the adoption of IAS 40 revised) are not amortised as they are stated at fair value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Additional disclosures are provided in Note 14. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Revenue recognition

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

Revenue from land development for sale

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses. When the parcels of land are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their relative fair values.

Asset and fund management fees

Asset and fund management fees are recognised when the services are rendered and the Group is entitled to receive the income.

Sale of development properties

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

Hotel operations revenue

Hotel operations revenue represents the income from hotel and convention centre rooms and conference facilities, and the sale of related food and beverages, which is recognised when the services are rendered or the goods are sold. The revenue from hotel operations is recognised in discontinued operations.

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(All amounts expressed in RMB'000 unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Golf club membership revenue is recognised on the straight-line basis which reflects the expected period when the benefits are provided. The revenue from golf operations is recognised in discontinued operations.

Operating lease income

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

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, which is generally when the shareholders approve the dividend.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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. Other borrowing costs are recognised as expenses when incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a set of properties acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 for the current and prior periods 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- when the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries and joint ventures, 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 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, and 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 joint ventures, 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 the same taxable entity and the same taxation authority.

Dividends

When dividends have been approved by the directors and shareholders and declared, they are recognised as a liability.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

In Hong Kong, the Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable. The Group's contributions as employer vest fully with the employees when the Group contribute to the scheme. The Group contributes 5% of the relevant monthly salaries to such scheme and the Group's employees contribute the lower of HK$1,250 and 5% of their monthly salaries to such scheme as employee mandatory contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates 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 senior executives) 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 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Company with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date 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 profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

Foreign currency translation

These Group's consolidated financial statements are presented in RMB which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in the statement of profit or loss and other comprehensive income over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facility services.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that have been issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The Group is in the process of making an assessment of the impact of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group is in the process of making an assessment of the impact of the new standard.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate and Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases). Lessees also are permitted to make an election, on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value (i.e., low-value assets).

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. Currently, it is expected that IFRS 16 would have no significant impact on the Group's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IFRS 12 clarify the requirements on recognition of deferred tax assets for unrealised losses to address diversity in practice. If tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

IAS 7 Disclosure Initiative — Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and 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. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosure provided by the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address issues in 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 tax obligations; 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.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

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3. INVESTMENTS IN SUBSIDIARIES

Company

	Notes	2016	2015
Unlisted shares, at cost		**3,524,561**	2,024,561
Less: Allowance for impairment	(a)	**–**	(787,000)
Advances to subsidiaries, net	(d)	**1,526,783**	1,816,583
		5,051,344	3,054,144

(a) As at 31 December 2016, the Company reassessed the impairment on the investment in Shanghai Golden Luodian Development Co., Ltd. ("SGLD") and determined that the carrying amount (net of allowance for impairment) was close to the recoverable amount (the value in use based on estimated future cash flows discounted at a rate of 13% per annum (2015: 13% per annum). In 2016, the impaired assets relating to SGLD were disposed of. As a result, the Company reversed the impairment loss in the Company's separate financial statements for the year ended 31 December 2016.

The allowance for impairment on the investment in SGLD, as reported in the Company's separate financial statements, did not affect the consolidated financial statements, as the investment in SGLD has been fully eliminated upon consolidation and all operating results of SGLD were included in the consolidated financial statements.

(b) As at 31 December 2016 and 2015, the Group's direct or indirect interests in all subsidiaries are set out below:

Directly held by the Company

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%) 2016	2015	Principal activities
Meeko Investment Limited ("Meeko")	British Virgin Islands 19 August 2005	1,230,300	**100.00**	100.00	Investment holding
Weblink International Limited ("Weblink")	British Virgin Islands 17 November 2005	794,261	**100.00**	100.00	Investment holding
Protex Investment Limited	British Virgin Islands 18 October 2006	–	**100.00**	100.00	Investment holding
China New Town Holding Co., Ltd. ("CNTD Holding")	Hong Kong Special Administrative Region 17 July 2014	1,500,000	**100.00**	100.00	Investment holding
China New Town Finance I Limited ("Finance I")	British Virgin Islands 11 March 2015	–	**100.00**	100.00	Investment holding
		3,524,561			

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3. INVESTMENTS IN SUBSIDIARIES (continued)

(b) As at 31 December 2016 and 2015, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company

Ultimately held through	Name	Place and date of incorporation/ establishment and issued capital	Proportion of ownership interest (%) 2016	Proportion of ownership interest (%) 2015	Effective equity interest (%) 2016	Effective equity interest (%) 2015	Principal activities
Meeko and Weblink	SGLD	PRC 26 September 2002 RMB208,100,000	**72.63**	72.63	**72.63**	72.63	Land development
Weblink	Shanghai Jia Tong Enterprises Co., Ltd. ("Shanghai Jiatong")	PRC 12 April 2006 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Consultation services
Protex Investment Limited	China New Town Development (Changchun) Company Limited ("CNTD Changchun")	British Virgin Islands 7 September 2006	**100.00**	100.00	**100.00**	100.00	Investment holding
	China New Town Development (Wuxi) Company Limited ("CNTD Wuxi")	British Virgin Islands 18 October 2006	**100.00**	100.00	**100.00**	100.00	Investment holding
	China New Town Development (Shenyang) Company Limited ("CNTD Shenyang")	British Virgin Islands 18 October 2006	**100.00**	100.00	**100.00**	100.00	Investment holding
	Safewell Investment Limited	British Virgin Islands 14 February 2007	**100.00**	100.00	**100.00**	100.00	Investment holding
	Shenyang Lixiang New Town Modern Agriculture Co., Ltd. ("Shenyang Lixiang")	PRC 6 March 2007 RMB747,666,613	**90.00**	90.00	**90.00**	90.00	Land development
	Shanghai CNTD Management Consulting Co., Ltd.	PRC 21 June 2007 RMB1,512,720	**100.00**	100.00	**100.00**	100.00	Enterprise investment consultation

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3. INVESTMENTS IN SUBSIDIARIES (continued)

(b) As at 31 December 2016 and 2015, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued capital	Proportion of ownership interest (%) 2016	Proportion of ownership interest (%) 2015	Effective equity interest (%) 2016	Effective equity interest (%) 2015	Principal activities
CNTD Holding	CDBC New Town (Beijing) Management Consulting Co., Ltd.	PRC 20 November 2014 RMB25,000,000	**100.00**	100.00	**100.00**	100.00	Real estate consultation
	CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town")	PRC 6 January 2015 RMB110,000,000	**100.00**	100.00	**100.00**	100.00	Asset management
	CDBC New Town (Changchun) Construction and Development Co., Ltd. ("CDBC Changchun")	PRC 2 December 2015 RMB26,275,800	**100.00**	100.00	**100.00**	100.00	Real estate development
	CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing")	PRC 1 August 2014 RMB122,000,000	**100.00**	100.00	**100.00**	100.00	Investment and asset development
	CDBC Agricultural Investment Management Co., Ltd.	PRC 15 December 2015 RMB22,155,700	**51.00**	51.00	**51.00**	51.00	Investment management
	CDBC New Town (Beijing) Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB10,000,000	**100.00**	–	**100.00**	–	Investment management
	CDBC Chengdu Agricultural Development Co., Ltd.	PRC 1 February 2016 RMB17,377,000	**100.00**	–	**100.00**	–	Investment management
	Yangzhou CDBC Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB1,000,000	**100.00**	–	**100.00**	–	Investment management
	ShengQi (Jiaxing) Investment Management Co., Ltd.	PRC 23 February 2016 RMB1,000,000	**100.00**	–	**100.00**	–	Investment management
	Beijing Zhuchengyingtai Engineering Management Co., Ltd.	PRC 9 October 2016	**100.00**	–	**100.00**	–	Engineering management

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3. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Interests in consolidated structured entity

The Group had consolidated a structured entity held by a private equity fund, CDB New Town (Jiangsu) New-type Urbanization Development Fund (the "Jiangsu Fund"), where the Group was involved in the capacity of both general partner and limited partner. In 2016, CDBC New Town and Sheng Qi Investment Fund Management ("Sheng Qi IFM"), wholly-owned subsidiaries of the Group, entered into a limited partnership agreement with CIB Wealth Management Co., Ltd. ("CIB"), and CDB Jingcheng (Beijing) Investment Fund Company Limited ("CDB Fund"), in relation to the establishment of an investment partnership, the Jiangsu Fund. To determine whether control exists, the Group exercises judgement and assesses whether the combination of investments it held together with related remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that it is a principal. The funds shall be consolidated if the Group acts in the role of principal.

The financial impact of the Jiangsu Fund on the Group's financial position as at 31 December 2016, and results and cash flows for the year ended 31 December 2016, though consolidated, are not significant and therefore not disclosed separately.

Interests in the consolidated structured entity directly held by the Group amounted to book value of RMB32,470,000 at 31 December 2016.

Interests attributable to other interest holders are presented as finance costs in the consolidated statements of profit or loss and interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

(d) The advances to subsidiaries are advances to intermediate holding companies, and they are unsecured, non-interest-bearing, with no fixed repayment terms and are expected to be settled in cash. The intermediate holding companies used these advances to finance their investment holdings of equity interests in the Group's indirect subsidiaries, details of which are as follows:

	Notes	**2016**	2015
Amounts due from:			
CNTD Shenyang		**690,897**	690,897
CNTD Wuxi		**658,053**	658,053
CNTD Changchun	(e)	**176,320**	176,320
Safewell Investment Limited		**1,513**	1,513
CNTD Holding		**–**	400,000
Less: Impairment	(e)	**–**	(110,200)
		1,526,783	1,816,583

(e) Changchun New Town Automobile Industry Construction Co., Ltd. ("CCJV"), was a subsidiary in which China New Town Development (Changchun) Company Limited ("CNTD Changchun") held 80% equity interest until November 2015, and the Group had made full provision of RMB199 million in prior years for the outstanding receivables carried in CCJV's books as land development activities undertaken by CCJV in Changchun had been terminated. CCJV incurred significant losses as a result. Consequently, CNTD Changchun was unable to repay the advances made to it by the Company. As a result, the Company, after performing an impairment assessment on the advances to CNTD Changchun, made full impairment allowance amounting to RMB176 million in its own separate financial statements in the year ended 31 December 2011.

In 2015, CNTD Changchun, a wholly-owned subsidiary of the Company, and Changchun Kaida Development Co., Ltd. ("Changchun Kaida"), a subsidiary of the Administrative Committee of Changchun Automotive Economic-Technology Development Zone (the "Changchun Committee"), entered into a share transfer agreement, pursuant to which CNTD Changchun agreed to sell 30% of the equity interest in CCJV to Changchun Kaida for a consideration of RMB66.28 million. In 2016, the Group sold its remaining 50% equity interest in CCJV to Changchun Kaida for a total consideration of RMB113.54 million (Note 9).

As a result, the provision for impairment losses of RMB66.1 million and of RMB110.2 million were reversed in 2015 and 2016 respectively.

Such allowance for impairment, as reported in the Company's separate financial statements, did not affect the consolidated financial statements, as the advances to subsidiaries have been fully eliminated upon consolidation and all operating results of CCJV before the date of disposal were included in the consolidated financial statements.

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(f) Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2016	2015
SGLD	PRC	**27.37%**	27.37%
Shenyang Lixiang	PRC	**10.00%**	10.00%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for 2016:

	SGLD	Shenyang Lixiang
Revenue	**62,643**	**–**
Cost of sales	**(33,463)**	**–**
Loss and total comprehensive loss for the year	**(151,451)**	**(4,659)**
Attributable to non-controlling interests	**(41,452)**	**(466)**
Dividends paid to non-controlling interests	**–**	**–**

Summarised statement of profit or loss and other comprehensive income for 2015:

	SGLD	Shenyang Lixiang
Revenue	135,188	–
Cost of sales	(36,579)	–
Loss and total comprehensive loss for the year	(65,680)	(8,521)
Attributable to non-controlling interests	(17,977)	(852)
Dividends paid to non-controlling interests	–	–

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(f) Material partly-owned subsidiaries (continued)

Summarised statement of financial position as of 31 December 2016:

	SGLD	Shenyang Lixiang
Current assets	**996,890**	**1,106,672**
Non-current assets	**1,688,802**	**9,446**
Current liabilities	**(1,389,942)**	**(272,048)**
Non-current liabilities	**(275,528)**	**(203,732)**
Total equity	**1,020,222**	**640,338**
Attributable to: Non-controlling interests	**279,235**	**64,034**

Summarised statement of financial position as of 31 December 2015:

	SGLD	Shenyang Lixiang
Current assets	2,239,581	925,933
Non-current assets	2,965,851	11,491
Current liabilities	(3,016,957)	(292,426)
Non-current liabilities	(1,157,481)	–
Total equity	1,030,994	644,998
Attributable to: Non-controlling interests	282,183	64,500

Summarised cash flow information for 2016:

	SGLD	Shenyang Lixiang
Operating	**339,087**	**105**
Investing	**8,819**	**(3)**
Financing	**(351,899)**	**–**
Net (decrease)/increase in cash and cash equivalents	**(3,993)**	**102**

Summarised cash flow information for 2015:

	SGLD	Shenyang Lixiang
Operating	95,800	(3,499)
Investing	9,517	1,081
Financing	(207,943)	–
Net decrease in cash and cash equivalents	(102,626)	(2,418)

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENT IN A JOINT VENTURE

	2016	2015
Unlisted shares	**49,297**	10,595

Details of the joint venture are as follows:

Name	Place and date of establishment	Proportion of ownership interest attributable to the Group (%)		Effective equity interest attributable to the Group (%)		Particulars of registered capital	Principal activity
		2016	2015	**2016**	2015		
CCJV (i)	PRC 15 November 2007	**–**	50%	**–**	50%	RMB220 million	Land development
Beijing Guowan Real Estate Co., (ii)	PRC 31 October 2016	**50%**	–	**50%**	–	RMB500 million	Real estate

(i) In 2016, the Group sold its remaining 50% equity interest in CCJV to Changchun Kaida. Immediately upon the completion of the transaction, CCJV ceased to be a joint venture of the Group. (Note 9)

(ii) In 2016, CDBC New Town and Beijing Vanke Enterprises Co. Ltd. ("Vanke BJ") entered into an agreement for the overall development of Mengtougou District Junzhuang Town Project, pursuant to which Beijing Guowan Real Estate Co., Ltd. ("Guowan") was established. As at 31 December 2016, the issued capital of Guowan was RMB 100,000 thousand, which was equally contributed by each parties.

Summarised financial information of the joint ventures, based on its IFRS financial statements, and the reconciliation to the carrying amount of the investment in the consolidated financial statements are set out below:

	2016	2015
Current assets	**228,541**	405
Non-current assets	**468**	29,196
Current liabilities	**(130,414)**	(8,412)
Non-current liabilities	**–**	–
Equity	**98,595**	21,189
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**49,297**	10,595

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENT IN A JOINT VENTURE (continued)

Summarised statement of profit or loss and other comprehensive income of the joint ventures:

	Guowan	CCJV	
	2016	**2016**	2015
Administrative expenses	**(1,874)**	**(259)**	(102)
Finance cost	**–**	**(744)**	
Loss before tax	**(1,874)**	**(1,003)**	(102)
Income tax expense	**469**	**–**	–
Net loss for the year	**(1,405)**	**(1,003)**	(102)
Total comprehensive loss for the year	**(1,405)**	**(1,003)**	(102)
Group's share of loss for the year	**(703)**	**(501)**	(51)

5. REVENUE

	Notes	**2016**	2015 Restated
Land development	(a)	**21,862**	67,022
Urbanization development	(b)	**205,841**	103,127
Sale of goods		**20,009**	–
Less: Tax and surcharges		**(3,140)**	(6,187)
		244,572	163,962

(a) During the year ended 31 December 2016, all the revenue of RMB22 million (2015: RMB67 million) in respect of the Group's land development was derived from the development of ancillary public facilities, based on the progress of completion.

(b) Prior to 2015, the Group invested in various urbanization projects and related returns were presented as Other Income. In 2016, the Group's management continued its investments in this area and greater efforts and emphasis were made to develop and strengthen investments in urbanization projects. In accordance with its revised strategy, the Group believes that such investments is now a key business revenue generator as it is able to invest in a wide pool of high quality urbanization projects nationwide together with CDB and CDB Capital, leveraging their extensive resources and network. The business has also evolved from financing a handful of urbanization projects in the past to investments in a diversified portfolio of investments, with the Group investing and participating in primary land development and downstream business cultivation and operation, affirming that investment in urbanization development is the Group's principal activity.

Therefore, the Group presented returns from urbanization development, previously classified as Other Income, as Revenue to reflect such changes. The 2015 comparative information was restated to conform with the current year's presentation and disclosures.

The revenue from urbanization development was mainly consist of interests from loans and receivables of RMB193,729 thousand (2015: RMB103,127 thousand), dividends from investment funds of RMB6,804 thousand (2015: nil) and fees from assets management of RMB5,308 thousand (2015: nil).

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE (continued)

The detailed information of revenue from urbanization development is as follows:

	2016	2015
Interest income		
CDB Yuhua Project	**64,235**	83,626
Danyang Public Private Partnership	**24,878**	10,978
Danyang Xinmeng River Project	**17,576**	600
Yangzhou Airport New Town Project	**26,001**	–
Zhengzhou Heizhuzhuang Urban Village Reconstruction Project	**19,443**	–
Danyang Zhongbei College Development Project	**7,382**	–
Qinhuangdao Project	**5,451**	–
Changzhou New-Tech Economic Development Zone	**2,371**	
Others	**26,392**	7,923
Dividend income		
CDB (Beijing)-BOCOMM New-Type Urbanization Development Fund	**6,804**	–
Fee from assets management	**5,308**	–
	205,841	103,127

6. OTHER INCOME AND OTHER EXPENSES

Other income

	2016	2015
Interest income from bank deposits	**34,816**	37,941
Net fair value gain on financial assets/liabilities at fair value through profit or loss	**10,184**	2,925
Foreign exchange gain, net	**–**	1,483
Reversal of bad debt provision	**–**	1,500
Others	**13,516**	3,026
	58,516	46,875

Other expenses

	2016	2015
Bank charges	**97**	505
Net loss on disposal of prepaid land lease payment, property, plant and equipment	**38,417**	–
Impairment of other receivables	**13,146**	2,803
Foreign exchange loss, net	**4,179**	–
Others	**1,719**	213
	57,558	3,521

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

7. EXPENSES BY NATURE

	2016	2015
Cost of land development	**29,099**	12,445
Cost of goods sold	**17,065**	–
Depreciation of property, plant and equipment	**2,477**	1,984
Amortisation of prepaid land lease payments	**377**	377
Audit fees and non-audit fees	**5,710**	6,679
Audit fees		
— Auditor of the Company	**4,150**	3,600
— Other auditors	**359**	355
Non-audit fees		
— Auditor of the Company	**–**	–
— Other auditors	**1,201**	2,724
Employee benefits	**51,292**	47,388
Utility expenses	**930**	884
Property tax, stamp duty and land use tax	**586**	441
Advertising	**801**	–
Rental expense	**12,439**	5,743
Property management service expenses	**7,774**	8,688
Intermediary and professional service charges	**24,150**	8,714
Other expenses	**19,671**	16,847
Total cost of sales, selling and administrative expenses	**172,371**	110,190

8. FINANCE COSTS

	2016	2015
Interest on bank and other borrowings	**26,138**	19,783
Interest on senior guaranteed notes	**75,406**	49,447
Interests attributable to other interest holders of Jiangsu Fund (note 3c)	**3,051**	–
	104,595	69,230
Less: Interest capitalised	**–**	–
	104,595	69,230

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS

For the year ended 31 December 2016

In 2016, CDBC Changchun, a wholly-owned subsidiary of the Group, entered into an agreement with CCJV and Changchun Kaida, a subsidiary of the Changchun Committee, to sale the 50% equity interest of CCJV to Changchun Kaida for a total consideration of RMB113,538 thousand, of which RMB110,133 thousand will be paid in five years. CDBC Changchun will receive annual interest of 10% pre-tax on its uncollected considerations from Changchun Kaida during the period. As a result, the 50% equity interest in CCJV was derecognised and a loan and receivable of RMB110,133 thousand with annual interest rate of 10% pre-tax was recognised. CCJV is no longer a joint venture thereafter.

In February 2016, with the consent of SREI, Shenyang Lixiang, the Company, SREI and Shenyang Lake Malaren Country Club Co., Ltd. ("SY Club") entered into a supplementary agreement based on the Disposal Master Agreement to dispose of Shenyang disposal assets to SY Club for a consideration of RMB154,652,555 (Note 21). The disposal consideration of RMB2,069,832,594 set out in the Disposal Master Agreement will therefore be reduced by RMB154,652,555 as a result.

(All amounts expressed in RMB'000 unless otherwise specified)

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS (continued)

In April 2016, the Company entered into an agreement regarding the disposal of a number of Disposal Assets with SRE and SREI, certain Disposal Assets would be disposed of to SRE (the "Shanghai Disposal Assets"). The consideration was RMB238,248,140, which was consistent with the consideration amount for the Shanghai Disposal Assets set out in the Disposal Master Agreement. As the relevant conditions have been satisfied, the Disposal Assets are derecognised from the statement of financial position. As a result, a disposal gain of RMB322,971 thousand before tax was recognised for Shanghai Disposal Assets. This completes the disposal of all the Disposal Assets. As at 31 December 2016, the total consideration amounting to RMB238,248,140 was fully received.

As at the date of disposal	**Proportion share of CCJV**	**Assets and liabilities relating to discontinued operations**
Net assets disposed of:		
Property, plant and equipment	389	1,546,184
Completed investment properties	–	55,039
Investment properties	–	698,000
Prepaid land lease payments — current	–	418,200
Properties under development for sale	–	1,821,419
Other assets	18	66,631
Prepaid land lease payments — non-current	–	146,851
Inventories	–	1,867
Prepayments	50,000	39,319
Other receivables	1,037,897	518,022
Trade receivables	–	15,044
Cash and bank balances	150,192	56,232
Interest-bearing bank and other borrowings	(1,050,000)	(664,584)
Deferred income from sale of golf club membership	–	(441,300)
Trade payables	–	(510,241)
Other payables and accruals	(28,402)	(3,331,431)
Advance from customers	(150,000)	(424,467)
Current income tax liability	–	(4,665)
	10,094	6,120
Non-controlling interests	–	38,503
Gain on disposal of a joint venture/assets and liabilities relating to discontinued operations before tax	103,444	348,277
Consideration	113,538	392,901

Gain on disposal of assets and liabilities relating to discontinued operations after tax was RMB301,277 thousand after deducting income tax of RMB47,000 thousand.

For the year ended 31 December 2015

In November 2015, CNTD Changchun, a wholly-owned subsidiary of the Group, entered into an agreement with Changchun Kaida, a subsidiary of the Changchun Committee, for the sale of 30% equity interest in CCJV to Changchun Kaida for a consideration of RMB66.28 million. Immediately upon completion of the transaction in November 2015, the Group's equity interest in CCJV decreased from 80% to 50% and the Group lost control over CCJV thereafter. The net consideration of RMB66.27 million, after immediately deducting a withholding tax of RMB14 thousand, was fully received by 31 December 2015. CCJV does not constitute part of the Disposal Assets.

(All amounts expressed in RMB'000 unless otherwise specified)

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS (continued)

For the year ended 31 December 2015 (continued)

In February and March 2015, with the consent of SREI, SGLD entered into an agreement to dispose of five subsidiaries to Black Eagle (Shanghai) Investment Management Co., Ltd. ("Black Eagle (Shanghai)") for RMB14,573,952. For the disposal of the assets and liabilities of the five subsidiaries, consideration attributable to SREI in relation to assets and liabilities belonging to the Disposal Assets was RMB14,573,952. The disposal consideration of RMB2,069,832,594 set out in the Disposal Master Agreement will therefore be reduced by RMB14,573,952 as a result. The consideration was settled by net-off against the advances received for the settlement of the Disposal Assets.

In July 2015, with the consent of SREI, the Company entered into an agreement to dispose of New Town Procurement Co., Ltd. and its two subsidiaries to Black Eagle Investment Advisors Limited ("Black Eagle Advisors") for a net consideration of RMB21,591,582, after immediately deducting a withholding tax of RMB2,399,065. For the disposal of the assets and liabilities of the subsidiaries, consideration attributable to SREI in relation to assets and liabilities belonging to the Disposal Assets was RMB23,990,647. The disposal consideration of RMB2,069,832,594 set out in the Disposal Master Agreement will therefore be reduced by RMB23,990,647 as a result. As at 31 December 2016, the net consideration amounting to RMB21,591,582 (Note 21) was still outstanding.

As at the date of disposal	**CCJV**	**Assets and liabilities relating to discontinued operations**
Net assets/(liabilities) disposed of:		
Property, plant and equipment	672	24,516
Other assets	59	1,531
Inventories	–	2,645
Prepayments	–	3,134
Other receivables	58,249	287,803
Trade receivables	–	87,075
Cash and bank balances	351	6,245
Interest-bearing bank and other borrowings	–	(84,950)
Trade payables	–	(77,257)
Other payables and accruals	(38,039)	(269,461)
Advance from customers	–	(5,363)
Current income tax liability	–	(6,878)
	21,292	(30,960)
Non-controlling interests	(4,743)	1,842
Fair value of retained investments	(10,646)	–
Gain on disposal of subsidiaries/assets and liabilities relating to discontinued operations before tax	60,378	67,683
Consideration	66,281	38,565

The Group disposed of Wuxi Project Group in 2014. As at 31 December 2016, the remaining consideration amounting to RMB59,940 thousand (Note 21) was still outstanding.

(All amounts expressed in RMB'000 unless otherwise specified)

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a joint venture/assets and liabilities relating to discontinued operations is as follows:

Year ended 31 December 2016	**CCJV**	**Assets and liabilities relating to discontinued operations**
Cash received	**–**	**238,248**
Cash and bank balances disposed of	**–**	**(56,232)**
Net inflow of cash and cash equivalents in respect of the disposal of a joint venture/assets and liabilities relating to discontinued operations	**–**	**182,016**

Year ended 31 December 2015	CCJV	Assets and liabilities relating to discontinued operations
Cash received	66,281	–
Cash and bank balances disposed of	(351)	(6,245)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries/assets and liabilities relating to discontinued operations	65,930	(6,245)

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

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

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% on their taxable income according to the Income Tax Law of the PRC.

Mainland China Withholding Tax

Pursuant to the laws governing the PRC Corporate Income Tax, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed and remitted out of PRC by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the laws governing the PRC Corporate Income Tax, a member of the Group, who is not a tax resident in the jurisdiction of the PRC, is subject to withholding tax at 10% on the incomes from Mainland China, such as interest income and gains from disposal of equity investments. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group determined that such withholding tax is an income tax in the scope of IAS 12 and has recognised such withholding taxes as a tax expense in the statement of profit or loss and other comprehensive income.

(All amounts expressed in RMB'000 unless otherwise specified)

10. INCOME TAX (continued)

The major components of income tax are:

	2016	2015
Income tax charge/(credit):		
Current income tax	**2,176**	2,015
Deferred tax	**(11,273)**	(15,042)
Withholding tax	**12,748**	7,773
Income tax charge/(credit) as reported in profit or loss	**3,651**	(5,254)

A reconciliation between tax charge/(credit) and the product of accounting profit/(loss) multiplied by the Group's applicable income tax rate is as follows:

Year ended 31 December 2016

	CNTD and BVI companies		**Mainland China**		**Total**	
Profit before tax	**17,752**		**53,052**		**70,804**	
Tax at the statutory tax rate	**4,438**	**25.0%**	**13,263**	**25.0%**	**17,701**	**25.0%**
Effect of subsidiaries applying non-statutory tax rate	**(4,438)**	**-25.0%**	**(574)**	**-1.1%**	**(5,012)**	**-7.1%**
Non-deductible expenses for tax purposes	**–**	**–**	**3,780**	**7.1%**	**3,780**	**5.3%**
Income not subject to tax	**–**	**–**	**(24,884)**	**-46.9%**	**(24,884)**	**-35.1%**
Utilisation of previously unrecognised of tax losses			**(5,962)**	**-11.2%**	**(5,962)**	**-8.4%**
Unrecognised tax losses			**5,280**	**10.0%**	**5,280**	**7.5%**
Effect of withholding tax	**12,748**	**71.8%**	**–**	**–**	**12,748**	**18.0%**
Income tax as reported in the statement of profit or loss and other comprehensive income	**12,748**	**71.8%**	**(9,097)**	**-17.1%**	**3,651**	**5.2%**

Year ended 31 December 2015

	CNTD and BVI companies		Mainland China		Total	
Profit/(loss) before tax	97,764		(9,541)		88,223	
Tax at the statutory tax rate	24,441	25.0%	(2,385)	25.0%	22,056	25.0%
Effect of subsidiaries applying non-statutory tax rate	(24,441)	-25.0%	–	–	(24,441)	-27.7%
Non-deductible expenses for tax purposes	–	–	253	-2.7%	253	0.3%
Income not subject to tax	–	–	(10,895)	114.2%	(10,895)	-12.3%
Effect of withholding tax	7,773	8.0%	–	–	7,773	8.8%
Income tax as reported in the statement of profit or loss and other comprehensive income	7,773	8.0%	(13,027)	136.5%	(5,254)	-5.9%

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

10. INCOME TAX (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2016	2015	**2016**	2015
Deferred tax assets/(liabilities)				
Net difference between net carrying amount of assets and their tax base	**30,048**	32,608	**(2,560)**	(392)
Accrued expense	**1,504**	4,426	**(2,922)**	826
Losses available for offsetting against future taxable income	**31,363**	14,608	**16,755**	14,608
Provision for impairment of receivables	**4,549**	4,549	**–**	–
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**(21,151)**	(21,151)	**–**	–
Net deferred tax assets	**46,313**	35,040		
Deferred income tax credit			**11,273**	15,042

Deferred tax movements:

	2016	2015
As of 1 January	**35,040**	19,998
Tax income recognised in profit or loss	**11,273**	15,042
As at 31 December	**46,313**	35,040
Deferred tax assets	**70,023**	56,191
Deferred tax liabilities	**(23,710)**	(21,151)

11. DIVIDENDS

No final dividend to the shareholders has been proposed by the Company in respect of the year ended 31 December 2016 (2015: nil).

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the parent for the years ended 31 December 2016 and 2015 includes a profit of RMB876,676 thousand and a profit of RMB100,227 thousand, respectively, which have been dealt with in the financial statements of the Company.

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

13. EARNINGS/(LOSS) PER SHARE

The calculations of the basic earnings/(loss) per share amounts are based on the profit/(loss) attributable to ordinary equity holders of the parent for the years ended 31 December 2016 and 2015.

The following reflects the earnings/(loss) and share data used in the basic and diluted earnings/(loss) per share calculations:

	2016	2015
Profit/(loss) attributable to ordinary equity holders of the parent		
Continuing operations	**104,544**	106,501
Discontinued operations	**218,111**	(41,360)
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**322,654**	65,141
Weighted average number of ordinary shares used to calculate the basic and diluted earnings/(loss) per share	**9,846,119,747**	9,846,119,747
Basic and diluted earnings per share (RMB)	**0.0328**	0.0066
Basic and diluted earnings per share from continuing operations (RMB)	**0.0106**	0.0108
Basic and diluted earnings/(loss) per share from discontinued operations (RMB)	**0.0222**	(0.0042)

There was no transactions involving ordinary shares or potential ordinary shares during the year. Pursuant to the Company's circular dated 21 December 2016 in relation to the proposed voluntary delisting from the Official List of the SGX-ST, 119,873,330 Shares had been validly tendered and cancelled on 14 February 2017 (Note 40).

14. DISCONTINUED OPERATIONS

In October 2013, the Company entered into an agreement with SREI, pursuant to which the Company has conditionally agreed to sell and SREI has conditionally agreed to purchase, within 24 months upon completion of the Subscription, specified assets and liabilities not relating to the Group's main principal business of planning and development of new town projects in Mainland China, the Disposal Assets, for a total consideration of RMB2,069,832,594 in the form of cash payment in instalments subject to the terms and conditions contained therein (the "Disposal"). Therefore the Company classified the specified assets and liabilities not relating to the Group's main principle business as held for sale, and excluded the operating results and disclosed separating as discontinued operations.

The financial results of discontinued operations for the following periods are set out below:

	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015
Revenue	14.a	**116,612**	151,483
Cost of sales		**(60,745)**	(85,547)
Gross profit		**55,867**	65,936
Other income		**907**	1,100
Selling and distribution costs		**(11,542)**	(17,740)
Administrative expenses		**(44,988)**	(69,791)
Other expenses		**(707)**	(25,254)
Operating loss from discontinued operations		**(463)**	(45,749)
Finance costs	14.b	**(33,602)**	(75,888)
Loss before tax from discontinued operations		**(34,065)**	(121,637)
Income tax		**–**	(3,722)
Loss for the period from discontinued operations		**(34,065)**	(125,359)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	9	**301,277**	67,683
Total profit/(loss) for the year from the discontinued operations		**267,212**	(57,676)

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(All amounts expressed in RMB'000 unless otherwise specified)

14. DISCONTINUED OPERATIONS (continued)

a. The revenue of discontinued operations are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Property development	**53,867**	48,600
Hotel operations	**12,943**	28,113
Golf operations	**15,729**	33,604
Investment property leasing	**10,333**	17,130
Hospital operations	**33,902**	36,326
Others	**–**	335
Less: Business tax and surcharges	**(10,162)**	(12,625)
Total	**116,612**	151,483

b. The finance costs of discontinued operations are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Interest on bank and other borrowings wholly repayable within five years	**41,167**	83,051
Less: Interest capitalised	**(7,565)**	(7,163)
	33,602	75,888

c. The net cash flows related to the Disposal Assets are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Operating	**612,647**	307,985
Investing	**(11,418)**	(44,335)
Financing	**(556,216)**	(333,804)
Net cash inflow/(outflow)	**45,013**	(70,154)

Earnings/(loss) per share (RMB):	Note	Year ended 31 December 2016	Year ended 31 December 2015
Basic and diluted profit/(loss) for the year from discontinued operations	13	**0.0222**	(0.0042)

(All amounts expressed in RMB'000 unless otherwise specified)

14. DISCONTINUED OPERATIONS (continued)

Upon the completion of Shanghai Disposal Assets, all the Disposal Assets was completed and the assets and liabilities classified as held for sales was derecognised from the Group's financial statement.

The major classes of assets and liabilities classified as held for sale as at 31 December 2015 are as follows:

	Notes	2015
Assets:		
Investments in an associate		200
Property, plant and equipment		1,609,322
Completed investment properties	14.d	698,000
Prepaid land lease payments — long-term		146,851
Non-current trade receivables		–
Deferred tax assets		27,358
Other assets		40,714
Properties under development for sale	14.e	1,589,023
Prepaid land lease payments — short-term		443,638
Inventories		1,998
Prepayments		9,322
Other receivables		199,184
Trade receivables		2,059
Prepaid income taxes		25,158
Cash and bank balances		10,689
Assets classified as held for sale		4,803,516
Liabilities:		
Non-current interest-bearing bank and other borrowings	14.g	688,619
Deferred revenue arising from sale of golf club memberships	14.f	453,296
Deferred tax liabilities		4,665
Interest-bearing bank and other borrowings	14.g	488,471
Trade payables		412,734
Other payables and accruals		1,037,212
Advances from customers		281,223
Current income tax liabilities		–
Liabilities directly associated with assets classified as held for sale		3,366,220
Net assets directly associated with Disposal Assets		1,437,296

(All amounts expressed in RMB'000 unless otherwise specified)

14. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities classified as held for sale as at 31 December 2015 are as follows:

d. As at 31 December 2015, the completed investment properties are as follows:

Description and location	**Existing use**	2015
Scandinavia Street, Shanghai, PRC	Retail street	488,000
Shopping mall, Shanghai, PRC	Supermarket	210,000
		698,000

The movements of the completed investment properties are as follows:

Completed investment properties	2015
At the beginning of the year	698,000
Add: Gain from increase in fair value	–
At the end of the year	698,000

The fair values were valued by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professionally qualified valuer.

e. As at 31 December 2015, the properties under development for sale are as follows:

	2015
At cost:	
In Shanghai City, PRC	1,285,263
In Chengdu City, PRC	303,760
	1,589,023
Provision for the excess of cost over net realisable value:	–
	1,589,023

f. The deferred revenue arising from sale of golf club memberships is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided. For the year ended 31 December 2015, RMB16,811 thousand of the deferred revenue arising from sale of golf club memberships were released to the statement of profit or loss and other comprehensive income of discontinued operation.

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(All amounts expressed in RMB'000 unless otherwise specified)

14. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities classified as held for sale as at 31 December 2015 are as follows:

g. As at 31 December 2015, the interest-bearing bank and other borrowings are as follows:

	2015
Bank and other borrowings — secured	797,090
Bank and other loans — guaranteed	380,000
	1,177,090

The interest-bearing bank and other borrowings are repayable as follows:

	2015
Within 6 months	351,694
6 months to 9 months	29,770
9 months to 12 months	107,007
1 year to 2 years	321,789
2 years to 5 years	172,660
Over 5 years	194,170
	1,177,090

The Group's interest-bearing bank borrowings of discontinued operations in RMB bore interest at rates ranging from 5.5% to 10.0% per annum for the year ended 31 December 2015.

Bank borrowings — secured

As at 31 December 2015, bank borrowings of RMB772,090 thousand were pledged by the Group's certain properties, which were classified as assets held for sale, including property, plant and equipment, completed investment properties, properties under development for sale as well as prepaid land lease payments, whose net carrying amounts at 31 December 2015 were RMB108,491 thousand, RMB605,365 thousand, RMB1,180,288 thousand and RMB454,062 thousand, respectively. Among which, a loan of RMB79,570 thousand was also guaranteed by Mr. Shi Jian besides collateral, and loans of RMB407,100 thousand was also guaranteed by SRE besides collateral. Another loan of RMB285,420 thousand was also guaranteed by several companies and individuals, who are SGLD,Shanghai Lake Malaren Commercial Management Co., Ltd., SRE, Shanghai Shuo Cheng Real Estate Ltd., Shanghai Lake Malaren Real Estate Development Co., Ltd., Mr. Shi Jian and Ms. Si Xiaodong as well as Wuxi Yong Qing Real Estate Co., Ltd., besides collateral.

As at 31 December 2015, bank borrowings of RMB25,000 thousand were pledged by real estate of Shanghai Anderson Fuxing Land Co., Ltd.

Bank and other borrowings — guaranteed

As at 31 December 2015, a long-term loan of RMB380,000 thousand was guaranteed by several companies and individuals, who are SGLD, SRE, Shanghai Shuo Cheng Real Estate Ltd., Shanghai Lake Malaren Real Estate Development Co., Ltd., Mr. Shi Jian and Ms. Si Xiaodong as well as Wuxi Yong Qing Real Estate Co., Ltd..

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15. LOANS AND RECEIVABLES

	2016	2015
CDB Yuhua Project	**490,000**	490,000
Danyang Public Private Partnership	**200,000**	200,000
Danyang Xinmeng River Project	**–**	200,000
Danyang Zhongbei College Development Project	**300,000**	–
Zhenjiang Hi-tech District Affordable Housing Project	**200,000**	–
Changzhou New-Tech Economic Development Zone	**300,000**	–
Yangzhou Airport New Town Project	**300,000**	–
Qinghuangdao Project	**150,868**	–
Other loans	**126,409**	370,488
	2,067,277	1,260,488
Amounts due in next 12 months classified as current assets	**1,000,000**	570,488
Amounts classified as non-current assets	**1,067,277**	690,000

As at 31 December 2016, the Group is entitled to fixed returns ranging from 7.98% to 17.07% (2015: 7.00% to 17.07%) before tax for the loans and receivables investments. Certain contractual arrangements of these investments are equity investments in legal form but debt securities in substance.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
Unlisted equity investments	**32,000**	32,000

In July 2015, CDBC Nanjing, a subsidiary of the Group, entered into an agreement to purchase a 13.89% equity interest in Jiangsu Hong-tu Software Venture Capital Investment Ltd.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2016	2015
Financial assets designated as at fair value through profit or loss			
— Funds	(a)	**98,610**	68,874
— Wealth Management Products	(b)	**720,063**	–
		818,673	68,874

(a) In June 2015, CDBC New Town, a wholly-owned subsidiary of the Group, entered into a limited partnership agreement in relation to an investment partnership, CDB (Beijing)-BOCOMM New-Type Urbanization Development Fund with a fund size of RMB10 billion.

As a junior-tranche limited partner, CDBC New Town is committed to contributing at a 1.5% capital ratio to the partnership, which amounted to RMB150 million. As at 31 December 2016, CDBC New Town had invested RMB85.449 million to the partnership which had in turn invested in various debt and equity investments (2015: RMB65.949 million). The management of the Group has designated such investments as at fair value through profit or loss. A fair value gain of RMB10.236 million was recognised during 2016.

(b) In 2016, CDBC New Town purchased wealth management products issued by Industrial and Commercial Bank of China and Bank of Communications for short term cash management, amounting to RMB720.063 million as at 31 December 2016.

(All amounts expressed in RMB'000 unless otherwise specified)

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Original cost					
At 1 January 2015	54,622	8,190	14,581	231	77,624
Additions	68	935	202	–	1,205
Disposals of subsidiaries	–	(142)	(1,583)	(231)	(1,956)
Disposals	–	(1,012)	(68)	–	(1,080)
At 31 December 2015	54,690	7,971	13,132	–	75,793
Additions	–	757	–	–	757
Acquisition of subsidiaries	–	773	238	–	1,011
Disposals	(41,561)	(214)	(2,126)	–	(43,901)
At 31 December 2016	13,129	9,287	11,244	–	33,660
Accumulated depreciation					
At 1 January 2015	15,937	7,621	12,716	–	36,274
Provided during the year	988	376	620	–	1,984
Disposals of subsidiaries	–	(123)	(1,160)	–	(1,283)
Disposals	–	(913)	(61)	–	(974)
At 31 December 2015	16,925	6,961	12,115	–	36,001
Provided during the year	1,783	574	165	–	2,522
Acquisition of subsidiaries	–	191	82	–	273
Disposals	(12,261)	(301)	(1,806)	–	(14,368)
At 31 December 2016	6,447	7,425	10,556	–	24,428
Impairment					
At 1 January 2015	–	–	–	–	–
Recognised during the year	–	–	–	–	–
At 31 December 2015	–	–	–	–	–
Recognised during the year	–	–	–	–	–
At 31 December 2016	–	–	–	–	–
Net carrying amount					
At 1 January 2015	38,685	569	1,865	231	41,350
At 31 December 2015	37,765	1,010	1,017	–	39,792
At 31 December 2016	6,682	1,862	688	–	9,232

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19. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments and their movements are analysed below:

	2016	2015
In Mainland China, held on:		
— Leases of between 10 and 50 years	**2,552**	11,657

	2016	2015
At beginning of year	**11,657**	12,034
Disposed	**(8,728)**	–
Amortisation charged to profit or loss	**(377)**	(377)
At the end of the year	**2,552**	11,657

20. LAND DEVELOPMENT FOR SALE

	2016	2015
At lower of cost and net realisable value:		
Mainland China	**1,562,429**	1,546,483

Land development for sale represents the cost of land development within the districts of the new town development projects. Though the Group does not have ownership title or land use rights to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in those new town development projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales (including related public utility fees, if any).

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

21. OTHER RECEIVABLES

	Notes	**2016**	2015
Other receivables			
Net disposal consideration:			
— Wuxi Project	9	**59,940**	525,875
— Shenyang Project	9	**154,653**	–
— Procurement and its subsidiaries	9	**21,592**	21,592
Balances due from:			
— Wuxi Project		**336,656**	738,027
— Shanghai Project		**208,471**	–
— Shenyang Project		**33,743**	–
Interests receivable from loans and receivables		**72,639**	75,293
Due from a joint venture		**94,214**	–
Balances due from entities disposed of		**43,867**	14,866
Others		**44,470**	40,074
Other receivables, net		**1,070,245**	1,415,727

(All amounts expressed in RMB'000 unless otherwise specified)

21. OTHER RECEIVABLES (continued)

An aged analysis of the other receivables is as follows:

	2016		
	Other receivables	**Less: allowance for impairment**	**Other receivables, net**
Within 6 months	**198,857**	**–**	**198,857**
6 months to 1 year	**211,261**	**–**	**211,261**
1 year to 2 years	**23,123**	**–**	**23,123**
2 years to 3 years	**615,820**	**–**	**615,820**
Over 3 years	**21,184**	**–**	**21,184**
	1,070,245	**–**	**1,070,245**

	2015		
	Other receivables	Less: allowance for impairment	Other receivables, net
Within 6 months	87,695	–	87,695
6 months to 1 year	21,600	–	21,600
1 year to 2 years	1,306,432	–	1,306,432
2 years to 3 years	–	–	–
Over 3 years	–	–	–
	1,415,727	–	1,415,727

The Group has adequately assessed the recoverability of other receivables considering the advances received for the settlement of the Disposal Assets and other credit enhancements.

22. TRADE RECEIVABLES

	2016	2015
Receivables from land development for sale	**45,218**	59,218
Others	**17,190**	–
Trade receivables, net	**62,408**	59,218

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(All amounts expressed in RMB'000 unless otherwise specified)

22. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables is as follows:

	2016 Trade receivables	Less: allowance for impairment	Trade receivables, net
Within 6 months	**17,190**	**–**	**17,190**
6 months to 1 year	**–**	**–**	**–**
1 year to 2 years	**–**	**–**	**–**
2 years to 3 years	**13,000**	**–**	**13,000**
Over 3 years	**32,218**	**–**	**32,218**
	62,408	**–**	**62,408**

	2015 Trade receivables	Less: allowance for impairment	Trade receivables, net
Within 6 months	–	–	–
6 months to 1 year	–	–	–
1 year to 2 years	27,000	–	27,000
2 years to 3 years	–	–	–
Over 3 years	32,218	–	32,218
	59,218	–	59,218

The above balances are unsecured and interest-free.

23. CASH AND BANK BALANCES

	2016	2015
Cash on hand	**48**	152
Short-term deposits with an original maturity less than 3 months	**946,609**	604,026
Cash at banks	**1,402,740**	768,981
Cash and cash equivalents	**2,349,397**	1,373,159
Restricted bank deposits	**–**	206,186
Cash at banks and on hand transferred to discontinued operations	**–**	(10,689)
	2,349,397	1,568,656

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

23. CASH AND BANK BALANCES (continued)

There were no restricted bank deposits as at 31 December 2016 (2015: RMB206,186 thousand), which were pledged for bank borrowings.

The carrying amounts of the cash and deposits which are denominated in the following currencies are set out below:

RMB equivalent of the following currencies:	**2016**	2015
SG$	**248**	258
RMB	**1,824,441**	1,566,972
HK$	**4,361**	1,354
US$	**520,347**	72
	2,349,397	1,568,656

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. SHARE CAPITAL

Group and Company

	2016 Number of shares (thousand)	**Amount***	2015 Number of shares (thousand)	Amount*
Ordinary shares authorised	**20,000,000**		20,000,000	
Ordinary shares issued and fully paid:				
Share capital at the end of the year	**9,846,120**	**4,110,841**	9,846,120	4,110,841

* There is no par value for the shares of the Company. In 2007, there was a share split whereby one existing share was split into 75,000 shares.

The holders of ordinary shares are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the shareholders. Each ordinary share carries one vote without restrictions.

25. OTHER RESERVES

Group

	Imputed equity contribution upon reorganisation	**Capital contribution received upon the repurchase of convertible bonds**	**Others**	**Total**
At 1 January 2015, 31 December 2015 and 2016	224,032	163,433	191,805	579,270

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(All amounts expressed in RMB'000 unless otherwise specified)

25. OTHER RESERVES (continued)

Company

	Imputed equity contribution upon reorganisation	Capital contribution received upon the repurchase of convertible bonds	Others	Total
At 1 January 2015, 31 December 2015 and 2016	1,557,445	163,433	191,805	1,912,683

There were no movements in other reserves during the years ended 31 December 2016 and 2015.

Nature and purpose of other reserves

Imputed equity contribution upon reorganisation

The Company applied the pooling of interest method to account for the business combination under common control that occurred on 20 December 2006. This therefore represents the difference between the Company's share of net assets of the Group and the sum of share capital and retained earnings that should be recorded as a result of applying the pooling of interest method.

Capital contribution received upon the repurchase of convertible bonds

This represents the capital contribution from SREI in connection with the Company's repurchase of convertible bonds.

Other reserves

This represents the fair value change of the equity component of certain convertible bonds issued by the Company upon their repurchase.

26. SENIOR GUARANTEED NOTES

In May 2015, Finance I, a wholly-owned subsidiary of the Company, completed the issuance of senior guaranteed notes of RMB1.3 billion with a maturity date of 6 May 2018. The net proceeds (after deducting underwriting commissions and certain other expenses) amounted to RMB1.29 billion, intended for general corporate purposes. The senior guaranteed notes bore interest at 5.5% per annum. The senior guaranteed notes were guaranteed by the Company with credit enhancement measures, such as the keepwell deed, liquidity support and deed of equity interest purchase undertaking from CDB Capital.

The movements of the carrying amounts of senior guaranteed notes during the year ended 31 December 2016 were as follows:

	2016	2015
At the beginning of year	**1,301,460**	–
Net proceeds of senior guaranteed notes issued	**–**	1,288,057
Accrued interest expenses	**75,406**	49,447
Interest payment	**(71,893)**	(36,044)
At the end of year	**1,304,973**	1,301,460
Categorised as current liabilities (Note 30)	**10,772**	10,970
Categorised as non-current liabilities	**1,294,201**	1,290,490

(All amounts expressed in RMB'000 unless otherwise specified)

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of interest-bearing bank and other borrowings which were all denominated in RMB are as follows:

	2016	2015
Bank and other borrowings — secured	**–**	200,000
Bank and other borrowings — guaranteed	**325,528**	324,030
Other borrowings — unsecured and unguaranteed	**470,950**	150,000
	796,478	674,030

The interest-bearing bank and other borrowings are repayable as follows:

	2016	2015
Within 6 months	**505,950**	150,000
6 months to 9 months	**–**	200,000
9 months to 12 months	**15,000**	15,000
1 year to 2 years	**50,000**	50,000
2 years to 5 years	**225,528**	259,030
Over 5 years	**–**	–
	796,478	674,030

The Group's interest-bearing bank borrowings in RMB bore interest at floating rates ranging from 4.41% to 5.09% per annum for the year ended 31 December 2016 (2015: 2.42% to 5.09% per annum).

As at 31 December 2016, the Group's other borrowing from a related party of RMB320,950 thousand bore interest at a fixed rate of 2.5% per annum.

Bank borrowings — secured

Bank borrowings of RMB200,000 thousand had been fully repaid during 2016.

Bank and other borrowings — guaranteed

As at 31 December 2016, bank borrowings of RMB325,528 thousand were guaranteed by CDB Capital (2015: RMB324,030 thousand).

Other borrowings — unsecured and unguaranteed

As at 31 December 2016, the Group's unsecured other borrowing of RMB320,950 thousand is a short-term loan from a related party CDBIH (2015:nil). The other borrowing of RMB150,000 thousand is an interest- free loan from Shanghai Luodian Old Town Real Estate Limited (2015: RMB150 million).

28. DEFERRED REVENUE

	Note	**2016**	2015
Deferred revenue arising from:			
Land development for sale	(i)	**352,794**	352,794

Note:

(i) The deferred revenue arising from land development for sale represents the portion of amounts received or receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities of land sold are still in progress. The amounts received or receivable are non-refundable unless the Group fails to complete the development work. The deferred revenue is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

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29. TRADE PAYABLES

	2016	2015
Payable for land development for sale	**105,814**	149,365
Others	**8,652**	577
	114,466	149,942

An aged analysis of the Group's trade payables is as follows:

	2016	2015
Within 1 year	**31,728**	577
1 to 2 years	**136**	12,554
Over 2 years	**82,602**	136,811
	114,466	149,942

* Trade payables are non-interest-bearing.

30. OTHER PAYABLES AND ACCRUALS

	2016	2015
Payroll and welfare	**13,400**	13,478
Accrued coupon interest of senior guaranteed notes (Note 26)	**10,772**	10,970
Other taxes payable:		
Business tax payable	**12,715**	13,685
Property tax payable	**31**	32
Value-added tax payable	**10,417**	–
Other miscellaneous tax	**2,092**	1,215
Receipts in excess of the Group's estimated share of land sales proceeds	**26,477**	26,477
Payable for expense incurred in application for National AAAA Tourist Attraction (Luodian New Town)	**2,412**	3,200
Amounts due to related parties (Note 33(a))	**8,131**	36,908
Payable for Intermediary and professional service charges	**17,709**	9,721
Balances due to entities disposed of	**34,098**	101,410
Others	**72,935**	53,868
	211,189	270,964

Terms and conditions of the above liabilities:

- Payroll and welfare are normally settled within the next month.

- Other payables and other tax payables are non-interest-bearing and are normally settled when they are due or within one year.

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31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As stated in Note 3c, the Group had consolidated a structured entity, the Jiangsu Fund. As at 31 December 2016, CIB as the senior-tranche limited partner and CDB Fund as the intermediate-tranche limited partner have contributed capital of RMB 119 million to the Jiangsu Fund. Such interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the Group's financial statements.

32. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

Employee benefits (including directors)

	2016	2015
Included in administrative expenses:		
Wages and salaries	**26,180**	26,605
Social welfare other than pensions	**4,807**	5,136
Pension — defined contribution plan	**3,776**	3,088
Staff welfare and bonuses	**16,529**	12,559
	51,292	47,388

Directors' remuneration

Details of the directors' remuneration are as follows:

	2016	2015
Fees	**1,264**	1,184
Other emoluments:		
Salaries, allowances and benefits in kind	**3,265**	3,359
Equity-settled share option expense	**–**	–
Pension scheme contributions	**–**	–
	4,529	4,543

The names of the directors and their remuneration for the year are set out below:

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Li Yao Min	**–**	**690**	**–**	**690**
Liu He Qiang	**–**	**802**	**–**	**802**
Yang Mei Yu	**–**	**723**	**–**	**723**
Ren Xiao Wei	**–**	**766**	**–**	**766**
Shi Bin*	**–**	**284**	**–**	**284**
Henry Tan Song Kok	**402**	**–**	**–**	**402**
Kong Siu Chee	**354**	**–**	**–**	**354**
Zhang Hao	**224**	**–**	**–**	**224**
E Hock Yap	**284**	**–**	**–**	**284**
	1,264	**3,265**	**–**	**4,529**

* Appointed as director in year 2016.

(All amounts expressed in RMB'000 unless otherwise specified)

32. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2015	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Shi Jian*	–	571	–	571
Li Yao Min	–	595	–	595
Liu He Qiang	–	919	–	919
Yang Mei Yu	–	560	–	560
Ren Xiao Wei	–	714	–	714
Henry Tan Song Kok	376	–	–	376
Kong Siu Chee	331	–	–	331
Zhang Hao	210	–	–	210
E Hock Yap	267	–	–	267
	1,184	3,359	–	4,543

* Removed as director in year 2015.

The directors have not waived any remuneration as listed above.

Five highest paid employees

The five highest paid employees of the Group during the year included no (2015: one) director, details of whose remuneration are set out above. Details of the remuneration of the remaining (2015: four) non-director, highest paid employees for the year are as follows:

	2016	2015
Salaries, allowances and benefits in kind	**5,869**	4,927
Pension scheme contributions	**70**	131
	5,939	5,058

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

	2016	2015
RMB500,001 – RMB1,000,000	**1**	1
RMB1,000,001 – RMB1,500,000	**3**	2
RMB1,500,001 – RMB2,000,000	**1**	1
	5	4

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33. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As mentioned in Note 1, in the opinion of the Directors, since the completion of the share subscription of CDBIH, the Company's ultimate holding company is CDB, which holds 54.32% of the issued share capital of the Company. As a result, SREI became the second largest shareholder of the Company with the ability to exert significant influence.

On 11 September 2015, SREI purchased 100% equity share of Black Eagle Asset Management Limited, the controlling shareholder of Black Eagle (Shanghai) and Black Eagle Advisors. Therefore, Black Eagle (Shanghai) and Black Eagle Advisors, as members of SREI group have become related parties of the Group since 11 September 2015.

(a) Amounts due to related parties

	2016	2015
Other payables		
CCJV	**–**	31,590
Black Eagle (Shanghai)	**5,000**	5,000
CDBIH	**2,933**	105
CDB Capital	**198**	213
	8,131	36,908
Advances		
Black Eagle (Shanghai)	**538,975**	538,975
Other borrowing		
CDBIH	**320,950**	–
	868,056	575,883

(b) Amounts due from related parties

	2016	2015
Loans and receivables		
Black Eagle (Shanghai)	**–**	72,043
Other receivables		
Guowan	**94,214**	–
SREI	**451,579**	–
Black Eagle (Shanghai)	**10,530**	–
Black Eagle Advisors	**21,592**	21,592
	577,915	93,635

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(All amounts expressed in RMB'000 unless otherwise specified)

33. RELATED PARTY DISCLOSURES (continued)

(c) In addition to the transactions detailed in Notes 33(a) and 33(b) above, the Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015:

	Notes	**2016**	2015
Financial guarantee from CDB Capital	(i)	**325,528**	324,030
Transfer of equity interest in CCJV to Changchun Kaida	9	**110,133**	66,281
Loans (received from)/to Black Eagle (Shanghai)	(ii)	**(70,488)**	70,488
Interest from Black Eagle (Shanghai)	(ii)	**6,752**	1,555
Loans from CDBIH	(iii)	**320,950**	–
Interest to CDBIH	(iii)	**2,837**	–
Capital received from CDB Fund	(iv)	**194,000**	–

Notes:

(i) During the year ended 31 December 2016, bank borrowings of RMB325,528 thousand were guaranteed by CDB Capital.

(ii) In 2015, to re-financing certain third party loans owed by the Disposal Assets, SGLD and Black Eagle (Shanghai) entered into a loan agreement to obtain financial support from SGLD. As a result, SGLD extend loans amounting to RMB70,488 thousand to Black Eagle (Shanghai), which had been fully paid in 2016 with interest income of RMB6,752 thousand recognised during the year.

(iii) CDBIH provided the Company with a three-month loan of US$75 million in October 2016 with an annual interest rate of 2.5%. On 30 December 2016, the Company repaid US$28,734 thousand of loan principal. As of 31 December 2016, the Company still owed US$46,266 thousand in principal to CDBIH (equivalent to RMB320,950 thousand) and had also accrued interest payable of US$409 thousand (equivalent to RMB2,837 thousand).

(iv) On 2 March 2016, CDBC New Town and Sheng Qi IFM, wholly-owned subsidiaries of the Group, entered into a partnership agreement with CDB Fund regarding the establishment of Jiangsu Fund. Pursuant to the agreement, the total capital amount was RMB5 billion, while the Company committed to contributing capital amounting to RMB1.05 billion in the capacity of a junior-tranche limited partner and manager, with CDB Fund as the Intermediate-Tranche Limited Partner. CDB Fund is a subsidiary of CDB capital, and is thus a related party of the Group.

(d) Compensation of key management personnel of the Group:

	2016	2015
Short-term employee benefits	**10,398**	10,753
Post-employment benefits	**70**	131
	10,468	10,884

Further details of directors' remuneration are included in Note 32.

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34. COMMITMENTS AND CONTINGENCIES

(1) Capital commitments

At the end of each reporting period, the Group mainly had capital commitments and commitments in respect of land development for sale and various investments as follows:

	2016	2015
Commitments in respect of land development for sale:		
Contracted, but not provided for	155,707	155,651
Authorised, but not contracted for	4,536,332	4,652,118
Commitments in respect of various investments		
Contracted, but not provided for	84,551	672,563
Authorised, but not contracted for	–	–
Commitments in respect of capital contribution		
Contracted, but not provided for	200,000	–
Authorised, but not contracted for	–	–
Total	4,976,590	5,480,332

The Group had significant commitments in respect of land development for sale as it had entered into two urbanization development projects in Shanghai and Shenyang and these commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects. As a result, the Group prepares cash flow budgets for major project companies annually and updates the cash flow budgets regularly.

At 31 December 2016, the Group had commitments in respect of various investments of RMB84,551 thousand (2015: RMB672,563 thousand).

At 31 December 2016, the Group had commitments in respect of capital contribution of RMB200,000 thousand (2015: nil).

(2) Operating lease commitments

The Group has entered into operating leases on certain motor vehicles, office buildings and land. These leases have terms of between 1 and 20 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	2015
Within 1 year	15,973	9,597
1 to 2 years	16,371	8,817
2 to 5 years	20,335	22,470
Over 5 years	4,135	–
Total	56,814	40,884

(All amounts expressed in RMB'000 unless otherwise specified)

35. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has the following operating segments. The Group's operational assets and operations are located in Mainland China.

- Land development segment, which provides land infrastructure development, construction of ancillary public facilities;
- Urbanization development segment, which is responsible for investments in new town projects; and
- Others segment, which includes the provision of other services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to the operating segments.

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

Land development revenue from the Group's share of proceeds from land sales (including related public utility fees, if any) by local authorities accounted for 100% in Shanghai (2015: 100% in Shanghai) of the revenue in the year ended 31 December 2016.

An analysis by operating segment is as follows:

	Year ended 31 December 2016				
	Land development	Urbanization development	Others	Adjustments and eliminations	Total
Segment results					
External sales	21,862	202,868	19,842	–	244,572
Intersegment sales	–	–	–	–	–
Total segment sales	21,862	202,868	19,842	–	244,572
Results					
Depreciation	(1,938)	(229)	(310)	–	(2,477)
Amortisation	(377)	(320)	–	–	(697)
Share of loss of a joint venture	(703)	–	(501)	–	(1,204)
Segment (loss)/profit	(64,191)	163,824	75,766	(104,595)[1]	70,804
Segment assets	2,027,080	3,544,264	2,470,604	70,023[2]	8,111,971
Segment liabilities	1,080,585	178,964	76,426	2,498,129[3]	3,834,104
Other disclosures					
Investment in a joint venture	50,000	–	–	–	50,000
Capital expenditure[4]	3	669	85	–	757

1 Profit/(loss) for each operating segment of continuing operations does not include finance costs of RMB104,595 thousand.

2 Assets in segments do not include deferred tax assets of RMB70,023 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB383,740 thousand, senior guaranteed notes of RMB1,294,201 thousand, interest-bearing bank and other borrowings of RMB796,478 thousand, and deferred tax liabilities of RMB23,710 thousand as these liabilities are managed on a group basis.

4 Capital expenditure of continuing operations is additions of property, plant and equipment of RMB757 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

35. OPERATING SEGMENT INFORMATION (continued)

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

	Year ended 31 December 2015				
	Land development	Urbanization development[5]	Others	Adjustments and eliminations	Total
Segment results					
External sales	67,022	96,940	–	–	163,962
Intersegment sales	–	–	–	–	–
Total segment sales	67,022	96,940	–	–	163,962
Results					
Depreciation	(1,704)	(118)	(162)	–	(1,984)
Amortisation	(377)	(126)	–	–	(503)
Share of loss of a joint venture	–	–	(51)	–	(51)
Segment profit/(loss)	30,621	64,702	62,130	(69,230)[1]	88,223
Segment assets	1,742,087	2,101,636	2,182,186	4,859,707[2]	10,885,616
Segment liabilities	1,211,011	12,836	88,828	5,688,519[3]	7,001,194
Other disclosures					
Investment in a joint venture	–	–	10,646	–	10,646
Capital expenditure[4]	371	470	364	7,838	9,043

1 Profit/(loss) for each operating segment of continuing operations does not include finance costs of RMB69,230 thousand.

2 Assets in segments do not include deferred tax assets of RMB56,191 thousand, and assets related to held for sale assets of RMB4,803,516 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB336,628 thousand, senior guaranteed notes of RMB1,290,490 thousand, interest-bearing bank loans and other borrowings of RMB674,030 thousand, and deferred tax liabilities of RMB21,151 thousand and liabilities related to held for sale assets of RMB3,366,220 thousand as these liabilities are managed on a group basis.

4 Capital expenditure of continuing operations consists of additions of property, plant and equipment of RMB1,205 thousand. Capital expenditure of discontinued operations consists of additions of property, plant and equipment of RMB7,838 thousand, which are not allocated as such capital expenditure are managed on a group basis.

5 The 2015 comparative information of the urbanization development segment has been restated to conform with the current year's presentation and disclosures.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise senior guaranteed notes, bank and other borrowings, and financial liabilities at fair value through profit and loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, cash and short-term deposits, and trade and other payables which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The Board of Directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, including repricing risk, basis risk, yield curve risk and option risk. The Group's main financial assets are cash and bank balances, loans and receivables with fixed rate, while main financial liabilities are Interest-bearing loans and other borrowings, and senior guaranteed notes with fixed rate.

The following table demonstrates the sensitivity to reasonably possible changes in interest rate, with all other variables held constant, of the Group's profit before tax. Fair value changes of the aforesaid financial instruments are not considered. The Group's equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	2016	2015
Increase/(decrease) in interest rates (basis points)	**100/(100)**	100/(100)
Increase/(decrease) in profit before tax	**27,612/(27,612)**	(3,300)/3,300

Foreign currency risk arising from the rules and regulations of the foreign exchange control promulgated by the PRC government

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, and restrictive measures were imposed by the government on foreign exchange access in order to balance the books and maintain the national currency exchange rate. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its USD cash and bank balances (Note 23) of 520,347 thousand RMB equivalent and an USD borrowing (Note 27) of 320,950 thousand RMB equivalent.

The following table demonstrates the sensitivity to reasonably possible changes in the USD or HKD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the carrying amount of monetary assets and liabilities). Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit before tax as disclosed below.

	2016	2015
Increase/(decrease) in USD exchange rate	**10%/(10%)**	10%/(10%)
Increase/(decrease) in profit before tax	**19,940/(19,940)**	7/(7)

(All amounts expressed in RMB'000 unless otherwise specified)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk arises from cash and bank balances, loans and receivables, trade receivables and other receivables, the balances of which represent the maximum credit risk exposure of the Group. As at 31 December 2016 and 2015, a large portion of the net receivables was from the investment in urbanization development, and there was a significant other receivable as mentioned in Note 21, which constitutes a concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans and receivables, trade and other receivables are disclosed in Notes 15, 21 and 22 respectively.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents to have available funding through the use of bank loans, debentures and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2016	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Contractual due date not specified**	**Total**
Interest-bearing loans and other borrowings	**150,000**	**328,316**	**60,842**	**299,656**	**–**	**–**	**838,814**
Senior guaranteed notes	**–**	**–**	**71,500**	**1,335,750**	**–**	**–**	**1,407,250**
Trade payables	**99,169**	**–**	**–**	**–**	**–**	**15,297**	**114,466**
Other liabilities	**131,956**	**–**	**–**	**–**	**–**	**–**	**131,956**
	381,125	**328,316**	**132,342**	**1,635,406**	**–**	**15,297**	**2,492,486**

31 December 2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Contractual due date not specified	Total
Interest-bearing loans and other borrowings	150,000	5,287	247,671	351,817	–	–	754,775
Senior guaranteed notes	–	–	71,500	1,407,250	–	–	1,478,750
Trade payables	92,645	–	–	–	–	57,297	149,942
Other liabilities	243,003	–	–	–	–	–	243,003
	485,648	5,287	319,171	1,759,067	–	57,297	2,626,470

(All amounts expressed in RMB'000 unless otherwise specified)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds, convertible bonds or new shares.

As the Group is engaged in land and property development, it needs a substantial amount of funds. The Group manages capital by closely monitoring its gearing ratio (which is defined by management as net debt divided by capital plus net debt).

Net debt includes senior guaranteed notes, interest-bearing bank and other borrowings and excludes cash and bank balances. Equity includes equity attributable to equity holders of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2016	2015
Interest-bearing bank and other borrowings	**796,478**	674,030
Senior guaranteed notes	**1,294,201**	1,290,490
Less: Cash and bank balances	**(2,349,397)**	(1,568,656)
Net debt	**(258,718)**	395,864
Capital:		
Total equity	**4,277,867**	3,884,422
Capital and net debt	**4,019,149**	4,280,286
Gearing ratio	**–6.44%**	9.25%

Collateral held

The Group did not hold any collateral as at 31 December 2016 and 2015.

(All amounts expressed in RMB'000 unless otherwise specified)

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets	**2016**	2015
Available-for-sale financial assets	**32,000**	32,000
Other receivables	**1,070,245**	1,415,727
Trade receivables	**62,408**	59,218
Loans and receivables	**2,067,277**	1,260,488
Financial assets at fair value through profit or loss	**818,673**	68,874
Cash and bank balances	**2,349,397**	1,568,656
	6,400,000	4,404,963
Financial liabilities		
Financial liabilities at fair value through profit or loss	**118,551**	–
Financial liabilities at amortised cost		
— Interest-bearing bank and other borrowings	**796,478**	674,030
— Senior guaranteed notes	**1,294,201**	1,290,490
— Trade payables	**114,466**	149,942
— Others	**131,956**	256,032
	2,455,652	2,370,494

38. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of the financial instrument. For financial instruments where there is no active market or when current market prices are not available, their fair values are determined using valuation techniques (Note 2.4).

The Group's financial assets mainly include loans and receivables, cash and bank balances, available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables. The Group's financial liabilities mainly include senior guaranteed notes, interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, trade and other payables. The fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts.

(All amounts expressed in RMB'000 unless otherwise specified)

38. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of assets measured at fair value as at 31 December 2016:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 17)	31 December 2016	**818,673**	**–**	**818,673**	**–**
Available-for-sale financial assets (Note 16)	31 December 2016	**32,000**	**–**	**32,000**	**–**
Financial liabilities at fair value through profit or loss (Note 31)	31 December 2016	**118,551**	**–**	**118,551**	**–**

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2016.

Quantitative disclosures of assets measured at fair value as at 31 December 2015:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment properties:					
Scandinavia Street, Shanghai	31 December 2015	488,000	–	–	488,000
Shopping mall, Shanghai	31 December 2015	210,000	–	–	210,000
Available-for-sale financial assets (Note 16)	31 December 2015	32,000	–	32,000	–
Financial assets at fair value through profit or loss (Note 17)	31 December 2015	68,874	–	68,874	–

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2015.

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	**2016**	2015
Assets			
Non-current assets			
Investments in subsidiaries		**5,051,344**	3,054,144
Property, plant and equipment		**100**	127
Total non-current assets		**5,051,444**	3,054,271
Current assets			
Amounts due from subsidiaries		**–**	160,043
Other receivables		**180,387**	179,078
Cash and bank balances		**950,324**	741,121
Total current assets		**1,130,711**	1,080,242
Total assets		**6,182,155**	4,134,513
Equity and liabilities			
Equity			
Equity holders of the parent:			
Share capital	*24*	**4,110,841**	4,110,841
Other reserves	*25*	**1,912,683**	1,912,683
Accumulated losses		**(1,030,135)**	(1,906,811)
Total equity		**4,993,389**	4,116,713
Current liabilities			
Other borrowings		**320,950**	–
Other payables and accruals		**31,822**	17,800
Amount due to subsidiaries		**835,994**	–
Total current liabilities		**1,188,766**	17,800
Total liabilities		**1,188,766**	17,800
Total equity and liabilities		**6,182,155**	4,134,513
Net current (liabilities)/assets		**(58,055)**	1,062,442
Total assets less current liabilities		**4,993,389**	4,116,713

Wei Wei
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

For the financial year ended 31 December 2016
(All amounts expressed in RMB'000 unless otherwise specified)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserves	Accumulated losses	Total reserves
As at 1 January 2015	1,912,683	(2,007,038)	(94,355)
Total comprehensive income	–	100,227	100,227
As at 31 December 2015 and 1 January 2016	1,912,683	(1,906,811)	5,872
Total comprehensive income	–	876,676	876,676
As at 31 December 2016	1,912,683	(1,030,135)	882,548

There were no movements in other reserves during the years ended 31 December 2016 and 2015.

40. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Company's Circular to shareholders dated 21 December 2016 in relation to the proposed voluntary delisting from the Official List of the SGX-ST by way of selective share buyback ("Selective Share Buyback"), the Extraordinary General Meeting ("EGM") of the Company was held on 17 January 2017 which approved the Selective Share Buyback. The Selective Share Buyback became effective and binding on 14 February 2017 and shares which have been validly tendered pursuant to the Selective Share Buyback at or prior to the latest tender time were cancelled on such effective date. As a result, 119,873,330 shares of issued share capital were tendered and the remaining shares were delisted from the SGX-ST on 17 February 2017 and began to be traded on the HKEx from 6 March 2017.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2017.

China New Town Development Company Limited
中國新城鎮發展有限公司

Hong Kong Stock Code: 1278