Gemdale Properties and Investment Corporation Limited
金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2016	2015	Change
	RMB'000	RMB'000	%
Revenue	**8,706,669**	4,240,759	+ 105
Gross profit	**3,850,164**	2,062,186	+ 87
Profit after tax	**2,004,369**	1,375,151	+ 46
Profit attributable to owners of the Company	**1,366,512**	1,056,202	+ 29
Earnings per share attributable to owners of the Company			
- Basic (RMB)	**0.0865**	0.0769	+ 12
- Diluted (RMB)	**0.0864**	0.0769	+ 12
	31 December 2016	31 December 2015	Change
	RMB'000	RMB'000	%
Deposits, bank and cash balances	**2,892,968**	1,724,917	+ 68
Total assets	**32,167,328**	25,100,925	+ 28
Net assets	**11,637,397**	9,850,026	+ 18

* *For identification purpose only*

ANNUAL RESULTS

The board of directors (the "Directors") of Gemdale Properties and Investment Corporation Limited (the "Company") announces the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2016 together with the relevant comparative figures.

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
Revenue	*3*	**8,706,669**	4,240,759
Cost of sales		**(4,856,505)**	(2,178,573)
Gross profit		**3,850,164**	2,062,186
Direct operating expenses		**(634,463)**	(381,342)
Other income and gains	*3*	**531,113**	244,811
Changes in fair values of investment properties		**259,825**	244,133
Administrative expenses		**(90,614)**	(99,582)
Finance costs	*4*	**(267,933)**	(152,411)
Share of profits and losses of:			
Joint ventures		**168,521**	338,097
Associate		**16,152**	-
Profit before tax	*5*	**3,832,765**	2,255,892
Tax	*6*	**(1,828,396)**	(880,741)
Profit for the year		**2,004,369**	1,375,151
Attributable to:			
Owners of the Company		**1,366,512**	1,056,202
Non-controlling interests		**637,857**	318,949
		2,004,369	1,375,151
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	*7*	**0.0865**	0.0769
- Diluted (RMB)	*7*	**0.0864**	0.0769

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 **RMB'000**	2015 RMB'000
Profit for the year	**2,004,369**	1,375,151
Other comprehensive income/(loss)		
- Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**(543,624)**	(371,033)
Share of exchange differences on translation of foreign operations of joint ventures	**42,045**	2,713
Release upon deregistration of subsidiaries	**(15,378)**	(17,633)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(516,957)**	(385,953)
- Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**424,065**	306,540
Other comprehensive loss for the year, net of tax	**(92,892)**	(79,413)
Total comprehensive income for the year	**1,911,477**	1,295,738
Attributable to:		
Owners of the Company	**1,266,746**	955,244
Non-controlling interests	**644,731**	340,494
	1,911,477	1,295,738

Consolidated Statement of Financial Position

31 December 2016

	Note	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**70,165**	35,396
Investment properties		**5,100,679**	4,004,049
Intangible assets		**38,950**	-
Prepayment for acquisition of a land use right		**-**	100,500
Prepayments, deposits and other receivables		**1,837,588**	854,412
Investments in joint ventures		**2,831,381**	715,735
Investment in an associate		**1,426,190**	-
Loan to a joint venture		**25,000**	187,622
Loans to a related company		**-**	420,000
Available-for-sale financial investment		**8,091**	7,583
Deferred tax assets		**386,655**	136,864
Total non-current assets		**11,724,699**	6,462,161
CURRENT ASSETS			
Properties held for sale		**1,778,062**	1,270,684
Properties under development		**10,209,008**	10,237,353
Prepayments for acquisitions of land use rights		**110,000**	1,124,276
Available-for-sale financial investment		**1,300,000**	1,400,000
Trade receivables	9	**11,500**	9,253
Prepayments, deposits and other receivables		**1,388,087**	1,359,280
Loans to joint ventures		**1,185,892**	655,691
Loans to related companies		**1,150,000**	-
Due from the ultimate holding company		**27**	400
Due from fellow subsidiaries		**2,668**	4,355
Due from joint ventures		**15,653**	699,600
Due from associates		**4,919**	-
Due from non-controlling shareholders		**48,510**	52,938
Due from related companies		**1,580**	674
Prepaid tax		**85,645**	79,516
Restricted cash		**258,110**	19,827
Deposits, bank and cash balances		**2,892,968**	1,724,917
Total current assets		**20,442,629**	18,638,764

Consolidated Statement of Financial Position (continued)

31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	10	**1,783,744**	2,050,297
Advanced receipts, accruals and other payables		**4,349,631**	5,727,605
Interest-bearing bank and other borrowings		**615,363**	-
Loans from the ultimate holding company		**7,272,123**	2,105,589
Loans from the immediate holding company		**-**	2,041,843
Loans from a fellow subsidiary		**2,108,573**	-
Loans from a non-controlling shareholder		**53,010**	-
Loan from a joint venture		**60,000**	-
Due to the ultimate holding company		**73,328**	1,674,527
Due to the immediate holding company		**-**	6,936
Due to fellow subsidiaries		**57,476**	7,148
Due to joint ventures		**1,181,231**	140,320
Due to an associate		**2,242**	-
Due to non-controlling shareholders		**75,400**	77,993
Due to a related company		**1,046**	456
Tax payable		**2,056,150**	749,440
Total current liabilities		**19,689,317**	14,582,154
NET CURRENT ASSETS		**753,312**	4,056,610
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,478,011**	10,518,771
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing		**114,989**	-
Deferred tax liabilities		**725,625**	668,745
Total non-current liabilities		**840,614**	668,745
NET ASSETS		**11,637,397**	9,850,026
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,432,193**	1,432,193
Reserves		**8,219,426**	7,247,404
		9,651,619	8,679,597
Non-controlling interests		**1,985,778**	1,170,429
TOTAL EQUITY		**11,637,397**	9,850,026

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale financial investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in HKAS 1;
  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
  (iv) that the share of other comprehensive income 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 and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 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 the 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2. OPERATING SEGMENT INFORMATION

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

(a) the property development segment – development and sale of residential and commercial properties;

(b) the property investment and management segment - investment and management of business parks and commercial properties; and

(c) the corporate segment - the Group's corporate management services to the residential, commercial and business park projects.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs are excluded from such measurement.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. No geographical segment information is presented as over 90% (2015: over 90%) of the Group's revenue is derived from customers based in Mainland China, and over 90% (2015: over 90%) of the Group's assets are located in Mainland China.

Segment assets exclude deferred tax assets, certain deposits, bank and cash balances, and prepaid tax as these assets are managed on a group basis. Segment liabilities exclude certain interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, amounts due to the ultimate holding company, the immediate holding company, non-controlling shareholders, fellow subsidiaries and a related company, and loans from the immediate holding company and a fellow subsidiary as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Year ended 31 December 2016

	Property development RMB'000	Property investment and management RMB'000	Corporate RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	8,447,371	259,298	-	8,706,669
Segment results:	3,815,183	325,510	(60,122)	4,080,571
Reconciliation				
Bank interest income				20,127
Finance costs				(267,933)
Profit before tax				3,832,765
Segment assets:	25,430,253	6,223,100	17,860	31,671,213
Reconciliation				
Other unallocated assets				496,115
Total assets				32,167,328
Segment liabilities:	11,155,540	3,652,496	20,929	14,828,965
Reconciliation				
Other unallocated liabilities				5,700,966
Total liabilities				20,529,931
Other segment information:				
Share of profits and losses of joint ventures	(183,423)	14,902	-	(168,521)
Share of profit and loss of an associate	(16,152)	-	-	(16,152)
(Gain)/loss on disposal/deemed disposal of subsidiaries	(453)	42	-	(411)
Changes in fair values of investment properties	-	(259,825)	-	(259,825)
Depreciation	9,436	8,724	579	18,739
Amortisation	-	2,098	-	2,098
Impairment/(reversal of impairment) of receivables, net	47,440	212	(1)	47,651
Impairment of goodwill	-	19,235	-	19,235
Release of exchange fluctuation reserves upon deregistration of subsidiaries	(10,592)	-	(4,786)	(15,378)
Capital expenditure*	21,933	910,071	17	932,021
Investments in joint ventures	2,672,246	159,135	-	2,831,381
Investment in an associate	1,426,190	-	-	1,426,190

Year ended 31 December 2015

	Property development RMB'000	Property investment and management RMB'000	Corporate RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	4,012,900	227,859	-	4,240,759
Segment results:	2,097,777	355,123	(61,578)	2,391,322
Reconciliation				
Bank interest income				16,981
Finance costs				(152,411)
Profit before tax				2,255,892
Segment assets:	20,327,202	4,526,150	17,484	24,870,836
Reconciliation				
Other unallocated assets				230,089
Total assets				25,100,925
Segment liabilities:	9,903,114	105,061	15,636	10,023,811
Reconciliation				
Other unallocated liabilities				5,227,088
Total liabilities				15,250,899
Other segment information:				
Share of profits and losses of joint ventures	(338,097)	-	-	(338,097)
Changes in fair values of investment properties	-	(244,133)	-	(244,133)
Depreciation	1,730	4,178	3,870	9,778
Impairment of receivables, net	8,617	261	1	8,879
Release of exchange fluctuation reserves upon deregistration of subsidiaries	-	7,466	(25,099)	(17,633)
Capital expenditure*	19,111	355,943	15	375,069
Investments in joint ventures	715,735	-	-	715,735

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisitions of subsidiaries.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents sales of properties, gross rental income, property management fee income received and receivable from the principal activities, utility income and entrusted management fee income received from fellow subsidiaries during the year.

An analysis of revenue, other income and gains recognised during the year is as follows:

	2016	2015
	RMB'000	RMB'000
Revenue		
Sales of properties	**8,447,371**	4,012,900
Gross rental income from:		
- fellow subsidiaries	**6,393**	3,054
- third parties	**154,620**	124,577
Property management fee income		
- fellow subsidiaries	**1,658**	-
- third parties	**58,807**	49,388
Utility income	**13,029**	6,888
Entrusted management fee income from fellow subsidiaries	**24,791**	43,952
	8,706,669	4,240,759
Other income and gains		
Bank interest income	**20,127**	16,981
Interest income on loans to related companies	**41,865**	25,360
Interest income on loans to joint ventures	**106,545**	65,082
Interest income on loans to associates	**4,904**	-
Interest income from available-for-sale financial investments	**37,594**	3,408
Interest income on loans receivable	**174,914**	27,212
Release of exchange fluctuation reserves upon deregistration of subsidiaries	**15,378**	17,633
Consulting services income from:		
- joint ventures	**3,965**	67,993
- third parties	**62,737**	11,637
Gain on bargain purchase from an acquisition of an associate	**24,457**	-
Net gain on disposal/deemed disposal of subsidiaries	**411**	-
Others	**38,216**	9,505
	531,113	244,811

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	RMB'000
Interest on borrowings		
- bank borrowings	**11,951**	44,324
- loans from the ultimate holding company	**344,995**	82,381
- loans from the immediate holding company	**7,169**	17,626
- loans from a fellow subsidiary	**78,491**	-
- loan from a joint venture	**46**	-
- loans from a non-controlling shareholder	**1,677**	-
- other loans and other payable	**53,756**	-
	498,085	144,331
Other finance costs	**954**	22,352
Total finance costs incurred	**499,039**	166,683
Less: Interest capitalised in		
- investment properties	**(9,800)**	(1,449)
- properties under development	**(221,306)**	(12,823)
	267,933	152,411

5. PROFIT BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
Cost of properties sold	**4,856,505**	2,178,573
Depreciation	**19,024**	9,858
Less: Amounts capitalised in property development projects	**(285)**	(80)
	18,739	9,778
Amortisation of intangible assets*	**2,098**	-
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**54,389**	23,108
Net losses/(gains) on disposal of items of property, plant and equipment	**215**	(164)
Net gain on disposal/deemed disposal of subsidiaries *(Note 13)*	**(411)**	-
Changes in fair values of investment properties	**(259,825)**	(244,133)
Amortisation of land use rights	**141,826**	82,308
Less: Amounts capitalised in property development projects	**(141,826)**	(82,308)
	-	-
Impairment of trade receivables, net *(Note 9)*	**199**	240
Impairment of other receivables and loans receivable, net	**47,452**	8,639
Minimum lease payments under operating leases	**23,000**	14,717
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**175,923**	86,721
Share-based compensation expenses	**18,301**	56,392
Pension schemes contributions	**16,324**	8,679
Less: Forfeited contributions	**(72)**	-
Net pension schemes contributions	**16,252**	8,679
Total employee benefit expense	**210,476**	151,792
Auditor's remuneration	**2,794**	2,500
Foreign exchange differences, net	**88**	(12,097)
Release of exchange fluctuation reserves upon deregistration of subsidiaries *(Note 3)*	**(15,378)**	(17,633)
Gain on bargain purchase from acquisition of an associate**	**(24,457)**	-
Impairment of goodwill***	**19,235**	-

* The amortisation of intangible assets is included in "Direct operating expenses" in the consolidated statement of profit or loss.

** Gain on bargain purchase from acquisition of an associate is included in "Other income and gains" in the consolidated statement of profit or loss. Amount arose from the acquisition of 74% equity interest of 廣州廣電房地產開發集團有限公司 and represented the excess of the Group's share of fair value of the identifiable assets and liabilities acquired over the cost of investment of RMB1,386,020,000.

*** The impairment of goodwill is included in "Administrative expenses" in the consolidated statement of profit or loss.

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2015: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdiction in which the Group operates.

The provision for land appreciation tax ("LAT") has been estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The amount of tax charge in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current – Hong Kong	**-**	-
Current – Mainland China		
Charge for the year	**929,790**	466,973
Under/(over) provision in prior years	**404**	(7,788)
LAT in Mainland China	**1,104,502**	490,299
Deferred	**(206,300)**	(68,743)
	1,828,396	880,741

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) **Basic earnings per share**

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 15,793,467,827 (2015: 13,743,873,731) in issue during the year.

(b) **Diluted earnings per share**

The calculation of the diluted earnings per share is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2016	2015
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**1,366,512**	1,056,202

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**15,793,467,827**	13,743,873,731
Effect of dilution - weighted average number of ordinary shares:		
Share options	**21,818,060**	-
	15,815,285,887	13,743,873,731

The Company's share options had no dilutive effect for the year ended 31 December 2015 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares for the prior year.

8. DIVIDEND

	2016	2015
	RMB'000	RMB'000
Proposed final dividend – RMB0.02 (2015: RMB0.02) per ordinary share	315,869	315,869

At the Board meeting held on 16 March 2017, the Board resolved to recommend the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2016. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it is approved by the shareholders at the forthcoming annual general meeting of the Company.

9. TRADE RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	**12,105**	9,659
Impairment	**(605)**	(406)
	11,500	9,253

Trade receivables represent sales proceeds in respect of sold properties, and rental and property management fee receivables. Sales proceeds in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental and property management fee receivables are billed in advance and are payable by tenants/residents upon receipts of billings within an average credit term of one month.

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and unsecured.

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

	2016	2015
	RMB'000	RMB'000
Within 1 month	**8,503**	9,253
1-3 months	**282**	-
Over 3 months	**2,715**	-
	11,500	9,253

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	RMB'000
At 1 January	**406**	166
Impairment losses recognised *(Note 5)*	**201**	244
Impairment losses reversed *(Note 5)*	**(2)**	(4)
At 31 December	**605**	406

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB605,000 (2015: RMB406,000) with a carrying amount before provision of RMB605,000 (2015: RMB406,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and the receivables are not expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**8,387**	9,253
Less than 1 month past due	**398**	-
1 to 3 months past due	**840**	-
More than 3 months past due	**1,875**	-
	11,500	9,253

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

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

10. TRADE AND BILLS PAYABLES

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

	2016	2015
	RMB'000	RMB'000
Within 1 month	**1,433,849**	1,642,821
1 to 3 months	**255,809**	229,797
Over 3 months	**94,086**	177,679
	1,783,744	2,050,297

Trade and bills payables are non-interest-bearing and are normally settled within an average term of one month.

11. BUSINESS COMBINATIONS

The Group acquired three companies in Mainland China in the current year for the expansion of property management and leasing businesses and two companies in Mainland China in the prior year for the expansion of property development business. Details of the acquisitions are as follows:

On 2 August 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with six independent third parties to acquire 100% interest in the shares of 武漢市美好家園物業管理有限責任公司 (Wuhan City Meihao Jiayuan Property Management Limited*) ("Meihao Jiayuan") at a consideration of RMB19,000,000. Meihao Jiayuan is engaged in property management in Mainland China.

On 4 August 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with three independent third parties to acquire 90% interest in the shares of 山東凱瑞物業服務有限公司(Shandong Kairui Property Management Limited*) ("Kairui") at a consideration of RMB24,750,000. Kairui is engaged in property management in Mainland China.

On 8 August 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire 100% interest in the shares of Key Dragon Holdings Limited ("Key Dragon") at a consideration of RMB110,500,000. The acquisition was completed in October 2016. Key Dragon is engaged in investment holding of certain joint ventures whose principal activities are property leasing in Mainland China.

On 18 May 2015, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with two independent third parties to acquire 100% interest in the shares of 大連匯載置業有限公司 (Dalian Huizai Real Estate Company Limited*) (“Huizai”) at a consideration of RMB10,000,000. Huizai is engaged in property development in Mainland China.

On 20 June 2015, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with two independent third parties to acquire 100% interest in the shares of 北京瑞達鑫遠科技有限公司 (Beijing Ruida Xinyuan Technology Company Limited*) (“Ruida”) at a consideration of RMB10,000,000. Ruida is engaged in investment holding of a joint venture whose principal activity is property development in Mainland China.

* *For identification purpose only*

The fair values of the identifiable assets and liabilities of the acquired companies as at the dates of acquisitions are as follows:

	Fair value recognised on acquisition				
	2016			2015	
	Meihao Jiayuan RMB'000	Kairui RMB'000	Key Dragon RMB'000	Huizai RMB'000	Ruida RMB'000
Property, plant and machinery	144	874	-	-	-
Investments in joint ventures	-	-	110,500	-	6,276
Property management contracts	18,068	22,980	-	-	-
Properties under development	-	-	-	85,609	-
Trade receivables	285	4,516	-	-	-
Prepayments, deposits and other receivables	1,673	1,446	-	30	10,312
Due from a shareholder	-	20,063	-	-	-
Bank balances	4,659	633	-	-	16
Trade payables	-	(619)	-	(687)	-
Other payables	(10,483)	(7,480)	-	-	(6,600)
Interest-bearing bank borrowing	-	(20,350)	-	-	-
Loans from shareholders	-	-	-	(74,952)	-
Tax payables	-	-	-	-	(4)
Deferred tax liabilities	(4,517)	(5,745)	-	-	-
Total identifiable net assets at fair value	9,829	16,318	110,500	10,000	10,000
Non-controlling interests	-	(1,632)	-	-	-
	9,829	14,686	110,500	10,000	10,000
Goodwill on acquisition	9,171	10,064	-	-	-
Total consideration	19,000	24,750	110,500	10,000	10,000
Satisfied by:					
Cash	11,376	19,230	55,000	10,000	10,000
Other payables	7,624	5,520	55,500	-	-
	19,000	24,750	110,500	10,000	10,000

The fair values and gross contractual amounts of trade receivables of Meihao Jiayuan and Kairui as at the dates of acquisitions amounted to RMB285,000 and RMB4,516,000 respectively. The fair values and gross contractual amounts of deposits and other receivables of Meihao Jiayuan and Kairui as at the dates of acquisitions amounted to RMB1,470,000 and RMB1,064,000 respectively. The fair value and gross contractual amount of the amount due from a shareholder of Kairui as at the date of acquisition amounted to RMB20,063,000. No receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2016			2015	
	Meihao Jiayuan RMB'000	**Kairui RMB'000**	**Key Dragon RMB'000**	Huizai RMB'000	Ruida RMB'000
Cash consideration	**(11,376)**	**(19,230)**	**(55,000)**	(10,000)	(10,000)
Bank balances acquired	**4,659**	**633**	**-**	-	16
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(6,717)**	**(18,597)**	**(55,000)**	(10,000)	(9,984)

Since the acquisition, Meihao Jiayuan, Kairui and Key Dragon contributed RMB6,666,000, RMB18,664,000 and nil, respectively, to the Group's revenue for the year ended 31 December 2016 and loss of RMB2,693,000, RMB2,617,000 and RMB6,319,000, respectively, to the Group's consolidated profit for the year ended 31 December 2016. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB8,756,139,000 and RMB1,971,966,000, respectively.

Since the acquisitions, the contributions by Huizai and Ruida to the Group's revenue and consolidated profits for the year ended 31 December 2015 were insignificant. Had the combinations taken place at the beginning of the prior year, there would have been no material change to the revenue and consolidated profits of the Group for the prior year.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 21 January 2016, a wholly-owned subsidiary of the Company acquired 85% equity interest in 上海信能度爾信息科技有限公司 (Shanghai Xinneng Duer Information Technology Company Limited*) ("Xinneng"), from an independent third party, at a cash consideration of RMB166,600,000.

Xinneng and its subsidiary (together "Xinneng Group") are engaged in property development in Mainland China.

On 7 December 2015, a wholly-owned subsidiary of the Company acquired 80% equity interest in 寧波萬林新城置業有限公司 (Ningbo Wanlin Xincheng Real Estate Company Limited*) ("Wanlin"), from an independent third party, at a cash consideration of RMB56,252,000. On 21 December 2015, another wholly-owned subsidiary of the Company acquired 100% equity interest in Bestbeat Limited ("Bestbeat") at a consideration of HK$342,574,000 (equivalent to RMB286,149,000), from an independent third party, by issuance of 646,366,795 new shares of the Company at HK$0.53 per share.

Bestbeat and its subsidiaries (together "Bestbeat Group"), and Wanlin are engaged in property development in Mainland China.

The above transactions were accounted for as purchase of assets and liabilities rather than as business combination because the acquired subsidiaries have not carried out any significant business transactions prior to the dates of acquisitions. The net outflow of cash and cash equivalents from the acquisitions has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

* *For identification purpose only*

The net assets acquired in the above acquisitions are as follows:

	2016	2015	
	Xinneng Group	Wanlin	Bestbeat Group
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	**1**	-	239
Investment property	**-**	-	48,253
Properties under development	**191,940**	104,858	249,568
Prepayments, deposits and other receivables	**745**	211	619
Due from a shareholder	**7,000**	-	-
Bank balances	**2,704**	-	3,849
Trade payables	**-**	-	(5,942)
Other payables	**(6,390)**	-	(9,247)
Due to shareholders	**-**	(34,754)	-
Due to a fellow subsidiary	**-**	-	(1,190)
Net assets	**196,000**	70,315	286,149
Non-controlling interests	**(29,400)**	(14,063)	-
	166,600	56,252	286,149
Satisfied by:			
Issue of shares of the Company	**-**	-	286,149
Cash	**166,314**	56,252	-
Other payable	**286**	-	-
	166,600	56,252	286,149

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2016	2015	
	Xinneng Group	Wanlin	Bestbeat Group
	RMB'000	RMB'000	RMB'000
Cash Consideration	**(166,314)**	(56,252)	-
Bank balances acquired	**2,704**	-	3,849
Net (outflow)/inflow of cash and cash equivalents	**(163,610)**	(56,252)	3,849

13. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire equity interest in 上海鑫磬投資有限公司 (Shanghai Xinqing Investment Co. Ltd.*) ("Xinqing") to an independent third party, for a consideration of RMB500,000. Xinqing holds 70% equity interest of a project company, which is engaged in property development in Mainland China. The remaining 30% equity interest of the project company is held by another wholly-owned subsidiary of the Company and it was accounted for as an investment in a joint venture after the disposal of the equity interest in Xinqing.

The Group also entered into a cooperative agreement with an independent third party in the current year, pursuant to which both parties agreed to exercise joint control over a wholly-owned subsidiary of the Company, 深圳市新威尚達投資有限公司 (Shenzhen City Xinwei Shangda Investment Co. Ltd.*) ("Shangda"). The transaction was accounted for as a deemed disposal of a subsidiary and the Group lost control over Shangda in the current year.

Details of the net assets disposed of are as follows:

	Xinqing RMB'000	**Shangda RMB'000**
Property, plant and equipment	**19**	**-**
Deferred tax assets	**214**	**-**
Prepayment for acquisition of a land use right	**-**	**1,005,000**
Properties under development	**891,516**	**-**
Due from the ultimate holding company	**400**	**-**
Due from a shareholder	**6,000**	**-**
Prepayments, deposits and other receivables	**852**	**30**
Restricted cash	**19,766**	**-**
Bank balances	**860**	**54**
Advanced receipts, accruals and other payables	**(497)**	**(502,500)**
Loans from the ultimate holding company	**(53,704)**	**-**
Loans from fellow subsidiaries	**(852,167)**	**-**
Due to the ultimate holding company	**-**	**(502,500)**
Due to fellow subsidiaries	**(7,404)**	**-**
	5,855	**84**
Fair value of investments retained upon disposal/deemed disposal to investments in joint ventures	**(5,808)**	**(42)**
Gain/(loss) on disposal/deemed disposal of subsidiaries	**453**	**(42)**
Total consideration	**500**	**-**
Satisfied by:		
Cash	**500**	**-**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

	Xinqing RMB'000	**Shangda RMB'000**
Cash consideration	**500**	**-**
Bank balances disposed of	**(860)**	**(54)**
Net outflow of cash and cash equivalents in respect of disposal/deemed disposal of subsidiaries	**(360)**	**(54)**

* *For identification purpose only*

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2016 were consistent with those used in the last financial year ended 31 December 2015, except that the Group has applied, for the first time, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which included all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute Certified Public Accountants which are effective for the Group's financial year beginning on or after 1 January 2016.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The revenue of the Group for the year ended 31 December 2016 increased significantly to RMB8,706.7 million from RMB4,240.8 million for the year ended 31 December 2015. The increase was primarily due to more revenue recognised from sales of properties.

Other income and gains increased to RMB531.1 million for the year ended 31 December 2016 from RMB244.8 million for the year ended 31 December 2015. The increase was mainly due to higher interest income of RMB247.9 million recorded during the year, including interest on loans receivables increased by RMB147.7 million, interest on loans to related companies, joint ventures and associates increased by RMB62.9 million, and interest from available-for-sale financial investments increased by RMB34.2 million. In addition, the Group acquired an associate which is mainly engaged in property development and investment in the PRC during the year and recorded a gain on bargain purchase of RMB24.5 million.

The fair value gains of investment properties of RMB259.8 million was reported for the year ended 31 December 2016, against RMB244.1 million for the year ended 31 December 2015.

The Group's direct operating expenses for the year ended 31 December 2016 increased to RMB634.5 million from RMB381.3 million for the year ended 31 December 2015. The increase was mainly due to higher selling and marketing expenses incurred as more PRC property development projects launched the pre-sales and increased business activities involved during the current year due to business expansion of the Group.

The Group's administrative expenses for the year ended 31 December 2016 decreased to RMB90.6 million from RMB99.6 million for the year ended 31 December 2015. During the year, share-based compensation expenses reduced by RMB38.1 million and was partially offset by goodwill impairment of RMB19.2 million and expenses incurred of RMB7.3 million for acquisition of an associate.

For business expansion, a number of joint ventures were set up during the current year, leading to an increase in loans from group companies. The finance costs went up to RMB267.9 million in 2016 from RMB152.4 million in 2015, recording an increase of RMB115.5 million, which was mainly due to the increase in interest expenses of RMB98.0 million paid to the ultimate holding company (net of interest expenses capitalised) and interest expenses of RMB68.0 million paid to a fellow subsidiary/the immediate holding company. Interest on bank borrowings and other finance costs reduced by RMB32.4 million and RMB21.4 million respectively as a result of the early repayment of a 3-year syndicated bank loan of US$185.0 million at the end of last year.

Share of results of joint ventures of the Group reported a profit of RMB168.5 million for the year ended 31 December 2016, against a profit of RMB338.1 million for the last year. The decrease was mainly from the decrease in revenue recognised from sales of properties of Beijing Jinshui and Tinjian Heshi.

The Group acquired an associate in the second half of the year. A profit of RMB16.2 million was contributed to the Group for the current year.

Overall, the Group's profit attributable to owners of the Company increased substantially from RMB1,056.2 million for the year ended 31 December 2015 to RMB1,366.5 million for the year ended 31 December 2016. It was mainly due to the increase in revenue recognised from the Group's property development projects during the current year.

The Group recorded basic earnings per share of RMB0.0865 for the year ended 31 December 2016, against basic earnings per share of RMB0.0769 for the year ended 31 December 2015, representing an increase of 12%. The diluted earnings per share for the current year was RMB0.0864. While the outstanding share options held an anti-dilutive effect on the basic earnings per share for the prior year, accordingly, the diluted earnings per share for the year ended 31 December 2015 were same as the basic earnings per share.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.02 per share (2015: RMB0.02 per share) for the year ended 31 December 2016, subject to shareholders' approval at the forthcoming annual general meeting of the Company. The proposed final dividend, if approved, will be paid on or about 30 June 2017 to shareholders whose names appear on the register of members of the Company on 9 June 2017. The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars ("HK$"). The final dividend payable in HK$ will be converted from RMB at the average middle rate of RMB to HK$ as announced by the People's Bank of China for the period from 23 May 2017 to 29 May 2017.

BUSINESS SEGMENTS

Property development

For the year ended 31 December 2016, the revenue of property development segment substantially increased to RMB8,447.4 million, representing 97% of the total revenue, compared with RMB4,012.9 million, representing 95% of the total revenue for the year ended 31 December 2015. Revenue for the current year was mainly from the sales of properties of Shanghai Shanshui Four Seasons, Dalian Huiquan, Xi'an Yi Hua Nian and Shenyang Yuefang. The profit in the property development segment during the current year increased to RMB3,815.2 million, against a profit of RMB2,097.8 million for the previous year. The increase in segment results was mainly due to increase in profit from sales of properties.

Property investment and management

The revenue earned by the property investment and management segment for the year ended 31 December 2016 increased from RMB227.9 million, representing 5% of the total revenue for the year ended 31 December 2015, to RMB259.3 million representing 3% of the total revenue. The increase in revenue was due to the higher rental rate charged by Vision Shenzhen Business Park and Sohu.com Internet Plaza on new and renewed leases, and two property management subsidiaries acquired during the year with revenue contribution of RMB25.3 million. During the current year, the property investment and management segment recorded a profit of RMB325.5 million, including fair value gains of investment properties of RMB259.8 million, compared with the segment profit of RMB355.1 million for the last corresponding period, including fair value gains of investment properties of RMB244.1 million. An impairment of goodwill of RMB19.2 million was reported in respect of the two property management subsidiaries acquired during the year.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased from RMB8,679.6 million as at 31 December 2015 to RMB9,651.6 million as at 31 December 2016. Profit attributable to owners of the Company for the current year of RMB1,366.5 million was partially offset by the final dividend declared for the year ended 31 December 2015 of RMB315.9 million. On a per-share basis, the consolidated net asset value attributable to owners of the Company as at 31 December 2016 increased by RMB0.061 or 11% to RMB0.611, against RMB0.550 as at 31 December 2015. The total shareholders' funds constituted approximately 30% of the total assets of RMB32,167.3 million as at 31 December 2016, against 35% of the total assets of RMB25,100.9 million as at 31 December 2015.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances increased by 68% to RMB2,893.0 million as at 31 December 2016 from RMB1,724.9 million as at 31 December 2015. The increase was mainly from the proceeds from properties sales, and new loans from banks and group companies, netting off with cash applied to land acquisitions and payment of development costs of property projects as well as acquisition/set up of joint ventures and an associate.

Borrowings

As at 31 December 2016, total bank and other third parties' borrowings of the Group was RMB730.4 million. As the bank borrowings had been fully repaid at the end of the prior year, there was no bank borrowing as at 31 December 2015. For expansion of business activities, the Group increased the loans from the ultimate holding company and a fellow subsidiary during the year. As at 31 December 2016, loans from the ultimate holding company and a fellow subsidiary were RMB7,272.1 million and RMB2,108.6 million, respectively, against loans from the ultimate holding company of RMB2,105.6 million and the immediate holding company of RMB2,041.8 million as at 31 December 2015.

The net debt (measured by total borrowings minus cash and bank deposits excluding restricted cash) increased by RMB4,908.6 million to RMB7,331.1 million as at 31 December 2016 from RMB2,422.5 million as at 31 December 2015. The increase in net debt was mainly due to land acquisitions and payment of development costs of property projects as well as acquisition/set up of joint ventures and an associate. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) increased to 63% as at 31 December 2016, from 25% as at 31 December 2015.

The maturity profiles of the Group's outstanding borrowings as at 31 December 2016 and 31 December 2015 are summarised below:

	As at	
	31 December 2016 RMB'000	31 December 2015 RMB'000
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	**615,363**	-
In the second year	**2,078**	-
In the third to fifth years, inclusive	**112,911**	-
	730,352	-
Loans from related parties:		
Within the first year or on demand	**9,493,706**	4,147,432
Total borrowings wholly repayable within five years	**10,224,058**	4,147,432

FINANCIAL MANAGEMENT

Foreign currency risk

As at 31 December 2016, borrowings were denominated in United States dollar ("US$"), RMB and Hong Kong dollar ("HK$"). The Group mainly operates in Mainland China and most of the transactions, assets and liabilities are denominated in RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$ and US$. Moderate depreciation of RMB against HK$ and US$ was expected, the Group considered the foreign currency risk exposure is acceptable. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

The currency denominations of the Group's outstanding borrowings as at 31 December 2016 and 31 December 2015 are summarised below:

	As at	
	31 December 2016 RMB'000	31 December 2015 RMB'000
HK$	**2,573,201**	2,041,843
RMB	**7,395,133**	2,105,589
US$	**255,724**	-
Total	**10,224,058**	4,147,432

Interest rate risk

As at 31 December 2016, 67% of borrowings of the Group were on a floating rate basis (2015: 51%). However, the interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risk.

PLEDGE OF ASSETS

At 31 December 2016, an investment property of the Group with a carrying value of RMB183,969,000 (2015: Nil) was pledged to secure an other loan granted to the Group.

CONTINGENT LIABILITIES

(a) As at 31 December 2016, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2016, the Group's outstanding guarantees amounted to RMB639,580,000 (2015: RMB154,429,000).

(b) At the end of the reporting period, the Group provided a maximum guarantee of US$70,950,000 (equivalent to RMB492,180,000) (2015: Nil) to a group of financial institutions for a facility granted to a joint venture of the Group in the United States of America. As at 31 December 2016, the facility guaranteed by the Group to a joint venture was utilised to the extent of approximately RMB414,641,000 (2015: Nil).

REVIEW OF OPERATIONS

Land Bank

The management of the Group believes that owning a sizable and quality land bank is one of the most important factors for a property developer to be successful. Timing for acquisition of land bank at competitive pricing is the core successful factor of the Group.

In 2016, the Group significantly increased its investment and acquired 19 parcels of land during the year through public land auction and cooperative development with a projected GFA of approximately 2,510,000 square meters, which can be developed into various types of properties that the Group has placed long term focus on, including middle-to-high-end residential properties, high-end apartments, class A office buildings, other commercial properties and high-end business park, so as to secure high return for the Group in the next few years.

As at the date of this announcement, the land bank of the Group covered 20 cities in the PRC and US, with GFA of about 10.79 million square meters, of which about 23% were located in the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen.

Segment Information

Properties sales and development

By capitalising on the excellent layout adopted over the past years, various property projects of the Group located in developed cities such as Beijing, Ningbo, Shanghai and Tianjin, all achieved outstanding sales performance, which drove the overall results of the Group to exceed our expectation. For the year ended 31 December 2016, aggregated contracted sales of the Group reached RMB20.15 billion, representing aggregated contracted sales area of approximately 1,123,000 square meters. The average selling price during the year was approximately RMB18,000 per square meter.

Currently, the development of commercial projects includes Hangzhou, Suzhou, Nanjing and Huai'an commercial complex projects, the Shanghai commercial project and Vision Shenzhen Business Park Phase 3 in Shenzhen Nanshan district while Vision Shenzhen Business Park Phase 3 would be developed as a mixed-use property with an estimated GFA of 208,900 square meters containing high rise office building covering corporate headquarters, research and development office, high-end apartments, clubs and specialty commercial enterprises. This project would become the flagship project of the Group in Shenzhen.

Property leasing

As at 31 December 2016, Vision Shenzhen Business Park Phases 1 and 2, located in Shenzhen Nanshan District, were nearly 100% occupied and both of their rental yield and management quality were a representative project in the core area of Nanshan District while Beijing Sohu.com Internet Plaza (a project 60% owned by the Group), located at Tsinghua Science Park in Zhongguancun, Haidian District, Beijing, was 100% occupied.

For the year ended 31 December 2016, benefiting from the significant increase in rental income from Vision Shenzhen Business Park Phases 1 and 2, the Group achieved outstanding performance in the growth of rental revenue and profit, and with the introduction of international well-known high-quality tenants such as Alibaba, DJI and Intel , the rental and property management fee income contributed by these two projects to the Group amounted to approximately RMB197 million (2015: RMB183 million).

In October 2016, the Group acquired 85% interest in the 8th Bridge project in Shanghai. During the three months ended 31 December 2016, the project generated revenue of rental and property management fee income of RMB30.9 million.

Following by the commencement of operations of Vision Shenzhen Business Park Phase 3, Hangzhou commercial project, Nanjing commercial project, Shanghai commercial project and Huai'an commercial project in the future, it is expected that rental income will further support the results of the Group.

OUTLOOK

Looking forward to 2017, the Group would remain focus in expanding scale in terms of contracted sales and land bank accumulation in the first-tier and certain second-tier cities with fast economic growth and large population inflow. The Group would also seek potential equity merger and acquisition and cooperation opportunities at the same time. While for commercial properties, the Group would aggressively expand our business in the development of high-end business parks and construction management on commercial projects which are light-asset and could enhance investment returns.

CORPORATE GOVERNANCE

The Group is committed to maintain a high standard of corporate governance with an emphasis on a quality board of directors, sound internal control, principles and practices, and transparency and accountability to all shareholders of the Company (the "Shareholders") in order to optimise return for its shareholders and enhance the performance of the Group.

The Company has taken steps to adopt the principles and comply with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board has reviewed periodically the compliance of the CG Code and is of the view that throughout the year ended 31 December 2016 ("FY2016"), the Company has complied with the applicable code provisions of the CG Code, except for the following deviations:

1. Under the CG Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of Shareholders. Due to other pre-arranged business commitments which must be attended by the Directors, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Hu Chunyuan were not able to attend the general meetings of the Company on 29 February 2016 and 15 July 2016.

2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting of the Company. Due to other pre-arranged business commitments which must be attended by Mr. Huang Juncan, he was not able to attend the annual general meeting of the Company on 29 February 2016.

3. Under the CG Code A.1.1, board meeting should be held at least four times a year at approximately quarterly intervals. During the year, only two regular board meetings were held to review and approve the annual and interim results of the Company. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary. Management supplied adequate and timely information to the board and the directors can make further enquiries to the senior management from time to time to ensure that they are provided with sufficient information to fulfil their directors' duties.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all Directors had complied with the required standards set out in the Model Code throughout the year. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 1,613 (2015: 624) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the performance of the Group as well as the individual's performance. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

The emoluments of the Directors are determined with reference to the Directors' duties, responsibilities and performance as well as the results of the Group.

SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 20 May 2003 (the "Share Option Scheme 2003") which expired on 20 May 2013 and a new share option scheme was adopted by the Company on 15 May 2013 (the "Share Option Scheme 2013") for the purpose of continuing to give incentive to, rewarding, remunerating, compensating and/or providing benefits to the Qualifying Grantees (as defined in the Share Option Scheme 2013) of the Company. Any share options which were granted under the Share Option Scheme 2003 prior to its expiry shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme 2003.

As at the date of this announcement, the total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme 2003 and the Share Option Scheme 2013 amounted to 148,700,000 and 907,853,000 respectively.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has been established with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules, which are available on the websites of the Company (www.gemdalepi.com) and HKExnews (www.hkexnews.hk). To align with the amendments made to the CG Code relating to risk management and internal control, the terms of reference of the Audit Committee was revised on 22 January 2016. The Audit Committee currently comprises Mr. Hu Chunyuan (Chairman of the committee), Mr. Hui Chiu Chung and Mr. Chiang Sheung Yee, Anthony. All Audit Committee members are Independent Non-executive Directors of the Company.

The functions of the Audit Committee are, among other things, responsible for assisting the Board to ensure objectivity and credibility of financial reporting, including interim and final results, and that the directors have exercised the care, diligence and skills prescribed by law when presenting the Group's results to the shareholders. The Audit Committee is also responsible for assisting the Board to ensure effective risk management and internal control systems of the Group are in place and good corporate governance standards and practices are maintained within the Group and to monitor the internal and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operations and reliable reporting. The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to ensure compliance with the applicable code provisions of the CG Code (as amended from time to time). The Company has internal control procedures to ensure that the continuing connected transactions will be conducted in compliance with the Listing Rules.

The Audit Committee has reviewed with the management of the Company and Ernst & Young, the auditor of the Company, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal control as well as financial reporting matters, including the review of the annual results and report of the Company for the year ended 31 December 2016.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Monday, 29 May 2017, the register of members of the Company will be closed from Wednesday, 24 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 May 2017.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2016 (subject to approval by shareholders at the annual general meeting of the Company), the register of members of the Company will be closed from Thursday, 8 June 2017 to Friday, 9 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 June 2017.

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

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.gemdalepi.com. The 2016 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 16 March 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.