# CHINA YUANBANG PROPERTY HOLDINGS LIMITED

(Company Registration Number: 39247)
(Incorporated in Bermuda on 4 December 2006)

ANNUAL REPORT 2016

# Contents



# Corporate Information

## BOARD OF DIRECTORS

**Non-Executive Director:**
Lin Yeju *(Chairman)*

**Executive Directors:**
Ouyang Sheng
Zheng Shaorong

**Independent Directors:**
Teo Yi-Dar *(Lead Independent Director)*
Chong Soo Hoon Sean
Xie Ruihua

## AUDIT COMMITTEE

Teo Yi-Dar *(Chairman)*
Chong Soo Hoon Sean
Xie Ruihua

## NOMINATING COMMITTEE

Chong Soo Hoon Sean *(Chairman)*
Teo Yi-Dar
Xie Ruihua

## REMUNERATION COMMITTEE

Xie Ruihua *(Chairman)*
Teo Yi-Dar
Chong Soo Hoon Sean

## SHARE OPTION SCHEME COMMITTEE

Xie Ruihua *(Chairman)*
Teo Yi-Dar
Chong Soo Hoon Sean

## COMPANY SECRETARY

Tse Kwok Hing Henry

## ASSISTANT SECRETARY

Codan Services Limited

## REGISTERED OFFICE

Clarendon House
2 Church Street, Hamilton HM11
Bermuda

## BUSINESS OFFICES

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No. 599 Huangshi West Road
Baiyun District, Guangzhou City
Guangdong Province
People's Republic of China, 510430
Tel: (86) 20 2627 2116
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Suite 909, 9th Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong
Tel: (852) 2511 1990
Fax: (852) 3005 6314

## WEBSITE

http://www.yuanbang.com

## BERMUDA SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street, Hamilton HM11
Bermuda

## SINGAPORE SHARE TRANSFER AGENT

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

## AUDITORS

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

## AUDIT DIRECTOR/PARTNER-IN-CHARGE:

Lo Ngai Hang
Commencing from the financial year ended
30 June 2015

Lew Wan Ming
Commencing from the financial year ended
30 June 2013

# Corporate Profile

China Yuanbang Property Holdings Limited（元邦房地产控股有限公司）(the "Company" or together with its subsidiaries, the "Group"), is a premium brand Guangzhou-based property developer that focuses on the development of quality residential and commercial properties, targeting at the middle to upper-middle income market segments. The Group has completed three property developments, namely the "Yuanbang Gardens"（元邦苑）, "Yuanbang Aviation Homeland"（元邦航空家园）and "Yuanbang Mingyue Gardens"（元邦明月园）, with an aggregate gross floor area ("GFA") of approximately 217,368 square metres ("sq m"). The Group's properties held under development include "Aqua Lake Grand City"（绿湖豪城）in Nanchang City, "Ming Yue Xing Hui"（明月星辉）, "Shan Qing Shui Xiu"（山清水秀）, "Ming Yue Jin An"（明月金岸）and "Ming Yue Shui An"（明月水岸）in Guangzhou City, "Hou De Zai Wu"（厚德载物）in Tonghua City, "Ren Jie Di Ling"（人杰地灵）in Weihai City, "Batai Mountain Project" in Wanyuan City and "Huizhou Project" in Huizhou City with an aggregate GFA of approximately 2,269,130 sq m.

With an experienced and driven management team, the Group strives for operational excellence and quality development. The Group has been awarded the "2005 China Real Estate Golden Tripod Award – China Quality Real Estate of the Year", "The PRC Quality Property Development Award" in 2006 and "China Quality Construction Silver Award" in 2007, "2008 Top 10 Enterprises of Nanchang Commodity Housing Sales", "2008-09 Most Influential Development Project in Jiangxi", "2009 China Real Estate Golden Tripod Award", "2009 China Real Estate Golden Building Award", "2010 Top 10 Brand of Guangzhou Property, "2011 Most Price/Performance Ratio Property in Jingxi", "10 High-end Real Estate Award – Shan Qing Shui Xiu", "Guangzhou Gold Medal Units Award – Ming Yue Jin An", "2012 Guangzhou Top 10 Livable Units Award – Ming Yue Shui An", "2013 Guangzhou Gold Medal Units Award – Ming Yue Shui An" and "2014 China Real Estate Golden Tripod Award – Most Reliable Property Brand".

The Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 May 2007.

# Five Years Key Financial Highlights

| | FY2016 | FY2015 | FY2014 | FY2013 | FY2012 |
|---|---|---|---|---|---|
| Revenue (RMB'000) | **602,212** | 444,864 | 1,328,301 | 867,524 | 838,015 |
| Gross Profit (RMB'000) | **74,043** | 81,688 | 398,979 | 291,202 | 296,489 |
| Net Profit/(Loss) For The Year (RMB'000) | **(93,252)** | (41,882) | 206,927 | 108,444 | 158,404 |
| Net Profit/(Loss) Attributable to Owners of the Company (RMB'000) | **(81,739)** | (26,819) | 143,744 | 96,293 | 126,160 |
| Dividend Per Share (RMB cents) | **–** | – | 1 | 2 | – |
| Total Assets (RMB'000) | **4,787,976** | 4,873,539 | 4,467,917 | 4,528,406 | 3,805,279 |
| Net Assets (RMB'000) | **992,004** | 1,079,257 | 1,125,963 | 890,352 | 781,256 |
| Shareholders' Equity (RMB'000) | **695,330** | 771,070 | 805,213 | 628,785 | 533,633 |

| FINANCIAL RATIO | | | | | |
|---|---|---|---|---|---|
| (1) Gross Profit/(Loss) Margin | **12.3%** | 18.4% | 30.0% | 33.6% | 35.4% |
| (2) Net Profit/(Loss) Margin | **(15.5%)** | (9.4%) | 15.6% | 12.5% | 18.9% |
| (3) Basic Profit/(Loss) Per Share (RMB dollars) | **(1.18)** | (0.39) | 2.13 | 1.47 | 1.97 |
| (4) Net Assets Value Per Share (RMB dollars) | **10.02** | 11.11 | 11.60 | 9.60 | 8.15 |
| (5) Return on Equity (%) | **(11.1%)** | (3.4%) | 20.0% | 16.6% | 27.2% |
| (6) Net Debt to Equity (%) | **125.0%** | 131.9% | 105.7% | 80.2% | 77.3% |

*Notes:*

(1) Gross profit/(loss) margin equals gross profit/(loss) divided by revenue.

(2) Net profit/(loss) margin equals net profit/(loss) for the year divided by revenue.

(3) Basic profit/(loss) per share equals net profit/(loss) attributable to owners of the Company divided by weighted average number of shares.
The Company had completed the share consolidation of 10 existing ordinary shares into 1 ordinary share on 29 July 2015. The weighted average number of ordinary shares was adjusted retrospectively for all periods presented.

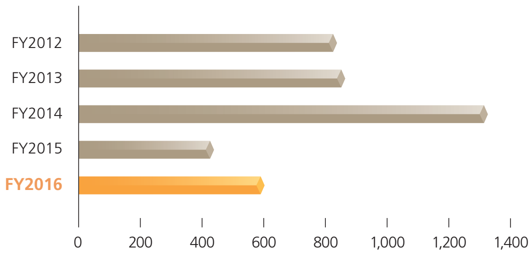
(4) Net assets value per shares equals equity attributable to owners of the Company divided by number of shares.

(5) Return on equity equals net profit/(loss) attributable to owners of the Company divided by average of shareholders' equity.

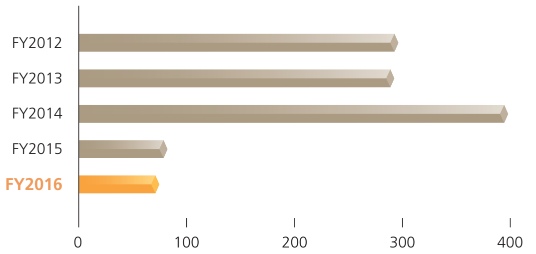
(6) Net debt to equity equals total borrowings less cash and cash equivalents divided by total equity.

**FINANCIAL HIGHLIGHTS** (express in RMB million)

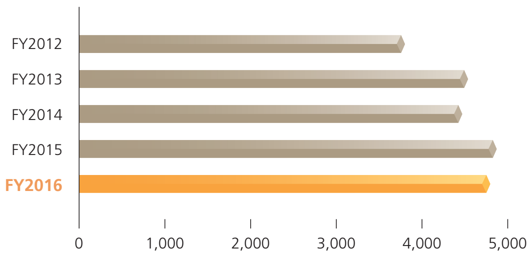
Revenue



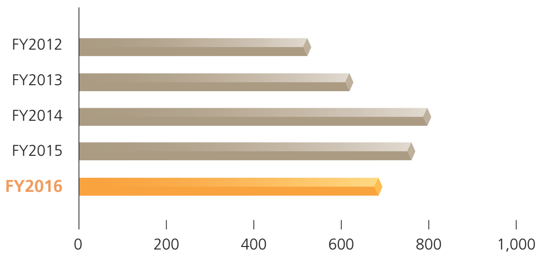

Gross Profit/(Loss)



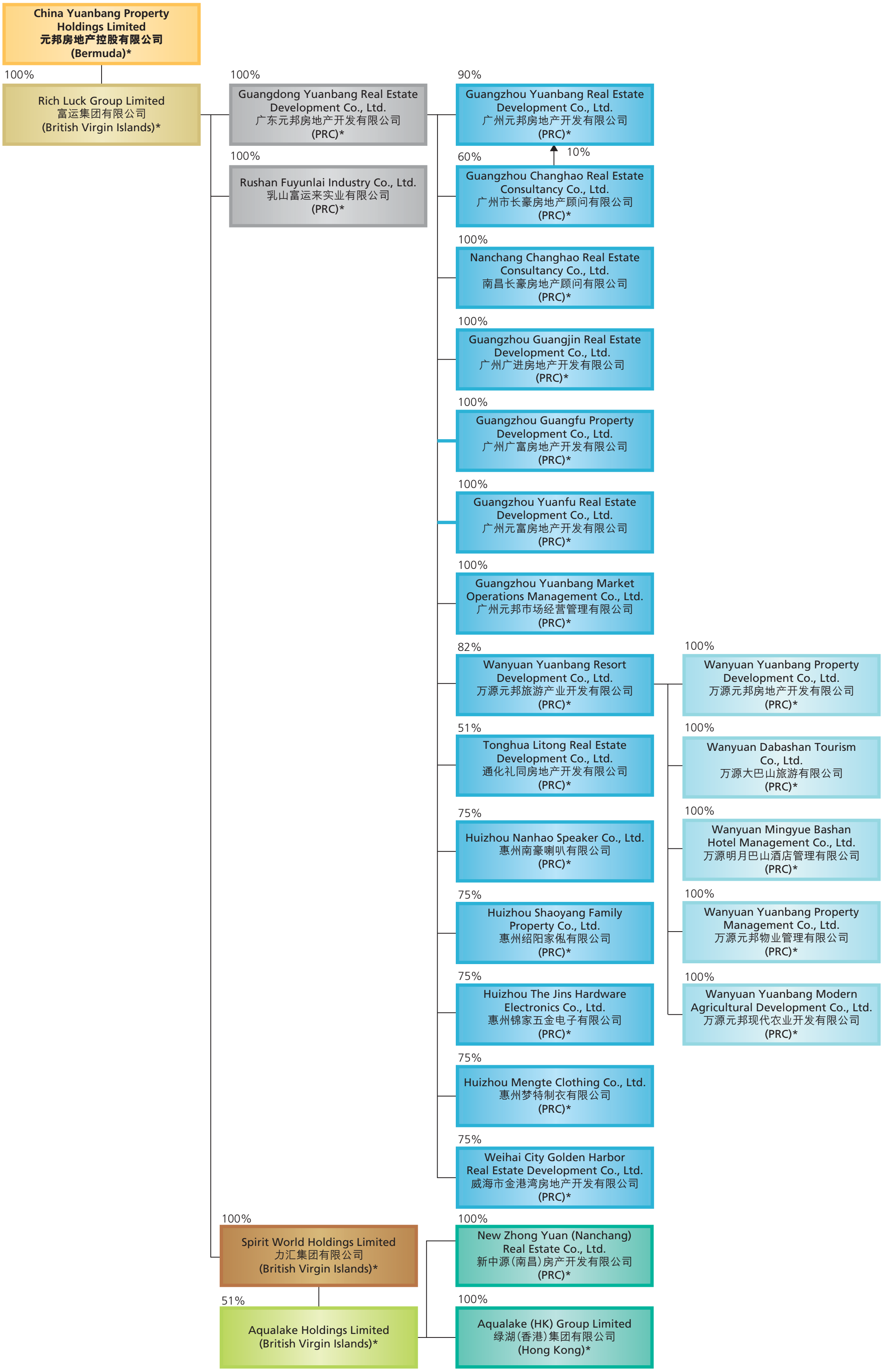

Total Assets




Shareholders' Equity



# Corporate Structure




* Place of incorporation/establishments

# Chairman's Statement

# Chairman's Statement

**DEAR SHAREHOLDERS:**

**Lin Yeju** *Non-Executive Chairman*

On behalf of the Board of Directors (the "Directors") of China Yuanbang Property Holdings Limited ("China Yuanbang" and together with its group of companies, the "Group"), I am pleased to present to you the annual results of the Group for the financial year ended 30 June 2016 ("FY2016").

In FY2016, the economy of the People's Republic of China (the "PRC") was full of challenges and uncertainties. The GDP growth slowed to 6.7% in the first half of 2016. In response to the sluggish economic outlook, the Central Government has taken measures to stimulate both supply and demand in order to sustain a stable development of the property market, including (i) easing bank reserve-requirement ratios to boost lending, (ii) easing on cooling measures specific to the real estate sector such as lowering the down payment for first-time and second-time homebuyers, and (iii) exempting the business tax upon transfer of the properties that were owned for more than two years. These measures results in improvement in sale prices and trading volumes for the PRC property market. For the first half of 2016, the transaction volume of commodity housing nationwide increased by 42.1% as compared with the corresponding previous period.

The Group will capture the opportunities in the market by strengthening the principal business including expand its land reserves in both first and second tier cities and exploring new opportunities in the real-estate industry including health care related property projects.

## YEAR IN REVIEW

China Yuanbang recorded a revenue increase of 35.4% at RMB602.2 million for FY2016, compared to RMB444.9 million in the previous corresponding period ("FY2015").

The Group's revenue for FY2016 was mainly derived from the sale of four development projects which are Huadu Project Phases I and II (namely Shan Qing Shui Xiu) and Xilang Project (namely Ming Yue Shui An) in Guangzhou City, Phase II of Aqua Lake Project (namely Aqua Lake Grand City) in Nanchang City, and Tonghua Project (namely Hou De Zai Wu) in Tonghua City.

Gross profit decreased by RMB7.7 million to RMB74.0 million for FY2016 compared to RMB81.7 million in FY2015. The decrease in gross profit was mainly due to impairment of fair value of the held for sale car parking lots at Aqua Lake Project amounting to RMB28.9 million.

Gross profit margin decreased to 12.3% in FY2016 from 18.4% in FY2015. The drop in gross profit margin was mainly due to the sales of residential units of the Hou De Zai Wu project which commanded lower gross profit margins than the Group's projects in Guangzhou; and also the impairment of net realisable value of the held for sale car park lots at Aqua Lake Grand City.

The Group recorded a gain of RMB14.3 million arising from fair value adjustments on the Group's investment properties in FY2016 compared to RMB26.7 million in FY2015 based on the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The gain was mainly due to the slight increase in fair value of investment properties resulted from higher rental prices as experienced in certain cities of the PRC and the transfer of properties held for development to investment properties during the year.

The Group recorded other income and gains of RMB31.0 million for FY2016 which was RMB7.2 million higher compared to RMB23.8 million in FY2015. The increase was due to the increased ticket sales income of Batai Mountain National Park of RMB10.1 million (FY2015: RMB2.8 million) for the year.

The Group recorded income tax expense of RMB83.3 million for FY2016 which was RMB61.4 million higher compared to RMB21.9 million in FY2015. The amount mainly represented the net effect of PRC enterprise income tax of RMB26.7 million, land appreciation tax of RMB84.4 million and deferred tax assets of RMB27.8 million provided for the year. Increase in income tax expense was mainly due to provision of land appreciation tax ("LAT") on the appreciation value upon the deemed sales of relocation properties for Ming Yue Shui An project and Aqua Lake Grand City project amounted to RMB66.6 million and RMB13 million respectively, under the LAT Implementation Rules of the PRC.

Overall the Group recorded a net loss attributable to shareholders of RMB81.7 million, which was RMB54.9 million higher compared to loss of RMB26.8 million in FY2015.

The Group recorded net assets of RMB992.0 million as at 30 June 2016, which represents a slight decrease of RMB87.3 million, compared to RMB1,079.3 million as at 30 June 2015. This translates to a 9.8% decrease in net asset value per share to RMB10.02 dollars compared to RMB11.11 dollars recorded at 30 June 2015.

## BUSINESS OUTLOOK

Moving ahead, the Group will focus and intensify the ongoing sale programme for its five current developments, ie Shan Qing Shui Xiu, Aqua Lake Grand City (Phase II), Ming Yue Jin An, Ming Yue Shui An and Hou De Zai Wu.

The Group expects to hand over the pre-sold units to the buyers from 1QFY2017 onwards and these will be progressively recognised as revenue once the units are handed over to the buyers.

The Chinese Government is constantly fine-tuning its policies for the property markets. As such the Group will monitor the market closely and will continue to implement formulated strategies that mitigate against any possible headwinds.

The Group will concentrate its property development in the first tier city, Guangzhou, while also speed up to destock our inventory of projects in the second tier cities. Meanwhile, the Group will continue to seek for new opportunities in the real estate sector, including health care related property projects.

## NOTE OF APPRECIATION

On behalf of the Board, I wish to express my deepest appreciation to our Board of Directors, management team and staff for their dedication and contributions to the Group.

I would like to thank Mr Huang Zhangxin for his contribution during his tenure as an Independent Director of the Company. I also welcome Mr Xie Ruihua who was appointed as an Independent Director of the Company during the year to the Board.

Last but not least, I would like to express my sincerest gratitude to our shareholders, customers and business associates for their continued trust and support.

**Lin Yeju**
*Non-Executive Chairman*

# Business and Financial Review

# Business and Financial Review

## BUSINESS REVIEW

## PROJECTS IN REVIEW

### Aqua Lake Grand City

Located at Hongjiaozhou, Honggu Tan New District, a new central business district of Nanchang City, Aqua Lake Grand City is the recipient of the "2008 Top 10 Enterprises of Nanchang Commodity Housing Sales" and "2008-09 Most Influential Development Project in Jiangxi".

Occupying a total site area and GFA of approximately 193,380 sq m and 444,958 sq m respectively, the development was built in three phases, with residential, commercial, office and hotel.

Phase I, comprising 851 residential units and 80 commercial units, was completed in 2009 and is handover completely as at 30 June 2013.

Phase II, comprising 1,005 residential units and 127 commercial units, was completed in 2012. As at 30 June 2016, Phase II has generated a total contracted sales of approximately RMB1.7 billion, with 967 residential units sold. During FY2016, 14 residential units had been handed over with a revenue of RMB68.8 million generated. With 96% of the residential units handed over to buyers, the value of pre-sale units not handed over to buyers stood at RMB68.2 million as at 30 June 2016.

For Phase III, the Group had entered into a sale and purchase agreement with certain independent third parties in relation to the proposed sale of the hotel for an aggregate consideration of RMB268 million on 13 May 2013. As at 30 June 2016, the Group had received over 89% of the consideration from the sale and expects to receive the remaining amount after all procedures are completed.

### Shan Qing Shui Xiu

Shan Qing Shui Xiu is located at North Shanqian Tourist Avenue Qixin Village, Furong Town Huadu District, Guangzhou, and in close proximity to the economic circle in Guangzhou.

This development site occupies a total site area and planned GFA of approximately 269,572 sq m and 351,594 sq m. It comprises three phases of development with a focus on low density villas and good class residences.

Phase I, comprising 284 residential units, was completed in 2012. 84% of the units were handed over to buyers as at 30 June 2016. Phase II, comprising 124 residential units, was completed in 2013. 73% of the units were handed over to buyers as at 30 June 2016. Phase III, comprising 1,103 residential units was completed in 2016 and the value of pre-sale units handed over to buyers stood at RMB144.9 million.

As at 30 June 2016, Shan Qing Shui Xiu has generated a total contracted sales of approximately RMB949.7 million, with 522 residential units sold. During FY2016, 3 residential units had been handed over with a revenue of RMB6.5 million generated. The value of pre-sale units not handed over to buyers stood at RMB289.4 million.

### Ming Yue Xing Hui

This residential and commercial development project is located at Wenchang North Road, Liwan District of Guangzhou City. Occupying a total site area and planned GFA of approximately 9,510 sq m and 68,139 sq m respectively, it comprises 6 blocks of 30-storey apartments with a clubhouse and an underground car park.

With a total of 431 residential units and 219 commercial units, Ming Yue Xing Hui is accessible via major transport networks and near community amenities. It is also located at the core zone of the antique and jade trading centre and the traditional commercial, cultural and tourism centre in Guangzhou.

As at 30 June 2016, Ming Yue Xing Hui has generated a total contracted sales of approximately RMB947.9 million, with all residential units and 146 car park lots sold. During FY2016, 3 residential units and 8 car park lots had been handed over with a revenue of RMB28.4 million generated.

The project was 100% handed over to buyers as at 30 June 2016.

### Ming Yue Jin An

Located at Northern West Hengsha Village Shijing Town Baiyun District Guangzhou City, Guangdong Province, Ming Yue Jin An occupies a total site area and GFA of approximately 26,505 sq m and 50,350 sq m. It comprises 8 blocks of 12 to 15-storey apartments, 7 blocks of low-density villas with a clubhouse and an underground car park. The project, comprising 404 residential units, was completed in 2013.

As at 30 June 2016, Ming Yue Jin An has generated a total contracted sales of approximately RMB564.7 million, with 410 residential units sold. During FY2016, 8 residential units had been handed over with a revenue of RMB14.5 million generated.

With 92% of the units handed over to buyers as at 30 June 2016, the value of pre-sale units not handed over to buyers stood at RMB95.3 million.

### Ming Yue Shui An

Located at Yu'anwei Xilang Village, South of Huadi Avenue, Liwan District, Guangzhou City, Guangdong Province, Ming Yue Shui An is strategically located near the Huadi River and is in close proximity to the metro line and GZ-Foshan railway.

It occupies a site area and GFA of 48,194 sq m and 139,134 sq m respectively. It comprises 10 blocks of 5 to 30-storey apartments and commercial units with an underground car park. The project, comprising 605 residential units, was completed in 2013.

As at 30 June 2016, Ming Yue Shui An has generated a total contracted sales of approximately RMB924.1 million, with 599 residential units sold. During FY2016, 195 residential units had been handed over with a revenue of RMB337.3 million generated.

With 55% of the units handed over to buyers as at 30 June 2016, the value of pre-sale units not handed over to buyers stood at RMB412.6 million.

### Hou De Zai Wu

Located at Tonghua City, Jiang Nan Xin Qu, Xiu Zheng Da Qiao Nan Ce, Jilin Province, Hou De Zai Wu is near the new economic and political centre.

It occupies a site area and planned GFA of approximately 224,677 sq m and 538,360 sq m respectively. The project comprises 47 blocks of 7 to 25-storey apartments with a total of 1,920 residential units, 656 commercial units and an underground car park.

As at 30 June 2016, Hou De Zai Wu has generated a total contracted sales of approximately RMB138.8 million, with 376 residential units sold. During FY2016, 376 residential units had been handed over with a revenue of RMB138.8 million generated.

With 25% of the units handed over to buyers as at 30 June 2016, the value of pre-sale units not handed over to buyers stood at RMB50.4 million.

### Ren Jie Di Ling

Located at North of Guangzhou Road, West of Zhanjiang Road, Rushan City, Shandong Province, Ren Jie Di Ling is located at the Shandong Golden Economic Circle and near the new railway cargo station.

It occupies a site area and GFA of 65,863 sq m and 214,322 sq m respectively. It comprises 4 blocks of 6 to 7-storey apartments and commercial units with an underground car park. Phase 1 of the 170 unit apartment had been launched in 2013. As at 30 June 2016, 62 units were sold and none of them has been handed over. These pre-sale units are expected to be handed over to buyers in FY2017.

### Batai Mountain Project Tianchiba Village

This development site is located at Wanyuan City, Batai Town, Tianchiba Village, Sichuan Village and occupies a site area and GFA of approximately 231,137 sq m and 462,273 sq m. The project involves the development of a plot of land with an area of approximately 120sq km located in the vicinity of Batai Mountain National Park (八台山国家地质公园) and Longtan River Scenic Area (龙潭河景区) with the long-term aim of developing a premier tourist attraction with an AAAAA-grade national scenic area certification from the National Tourism Administration of PRC within 10 years.

This marks the Group's first tourism property project, with a mixture of residential, villa and commercial units under development since 2012. The National Park generated income of RMB10.1 million for FY2016.

### Huizhou Project

This development side is located at Huizhou City, Boluo Country, Longxi Town, Honghuayuan of Hutou Village and occupies a site area of approximately 130,830 sq m.

During the year, the Group rented out the industrial buildings and generated rental income of RMB4.7 million.

## INVESTMENT PROPERTY

The investment property held by the Group has generated approximately RMB15.3 million of revenue for FY2016.

| | Property | |
|---|---|---|
| 1 | Levels 1,2,4-8 and portions of Level 10 of Yuanbang Mansion | These units are located at No. 599 Huangshi West Road Baiyun District, Guangzhou City and occupy a GFA of 5,369.32. sq m.<br><br>It was 67% occupied as at 30 June 2016, with the lease expiring dates on 31 December 2018 or 28 February 2021. |
| 2 | 4 units on Levels 1 and 2 of Yuanbang Aviation Homeland | Located at Huangshi West Road, Baiyun District, Guangzhou City, the unit occupies a GFA of 407.72 sq m and the units were 90% occupied as at 30 June 2016. |
| 3 | 243 retail units on Levels 1 to 3 of Ming Yue Xing Hui Building | Located at No. 242 to 272 Wenchang North Road, Liwan District, Guangzhou City, the units occupy a GFA of 7,785.31 sq m.<br><br>The units were 86% occupied as at 30 June 2016 with the lease expiring from 30 June 2016 to 29 February 2019. |
| 4 | A parcel of land and various units located at Hong Hua Yuen Long Gong Cun Team Hu Tou Village | Located at Long Xi Town, Boluo County, Huizhou City, the land occupies a GFA 64,164 sq m. and the units occupy a GFA of 40,162.46 sq m.<br><br>The units were 27% occupied as at 30 June 2016 with the lease expiring from 9 September 2016 to 9 January 2022. |
| 5 | A parcel of land and various units located at Hong Hua Yuen Long Gong Cun Team Hu Tou Village | Located at Long Xi Town, Boluo County, Huizhou City, the land occupies a GFA 66,666 sq m. and the units occupy a GFA of 52,061.61 sq m.<br><br>The units were 97% occupied as at 30 June 2016 with the lease expiring from 31 October 2016 to 30 November 2017. |

## BUSINESS OUTLOOK

The Group is on schedule for all its construction projects in progress. Presales of RMB1.27 billion as at 30 June 2016 will be progressively recognised from first quarter of FY2017 as the completed units are handed over to buyers.

Revenue contribution in FY2016 came mainly from four projects namely Shan Qing Shui Xiu, Ming Yue Shui An, Aqua Lake Grand City and Hou De Zai Wu.

Going forward, the Group believes that demand will remain resilient. To replenish its land bank, the Group is looking to acquire more land in first or second tier cities.

## FINANCIAL REVIEW

China Yuanbang had recorded an increase in revenue of 35.4% at RMB602.2 million for the financial year ended 30 June 2016 ("FY2016"), compared to RMB444.9 million in the previous corresponding period ("FY2015").

Net loss attributable to equity holders of the Group had increased by 204.9% to RMB81.7 million in FY2016 from RMB26.8 million in FY2015.

The Group's revenue for the year ended 30 June 2016 was mainly derived from the sale of four development projects which are Huadu Project Phases I and II (namely Shan Qing Shui Xiu) and Xilang Project (namely Ming Yue Shui An) in Guangzhou City, Phase II of Aqua Lake Project (namely Aqua Lake Grand City) in Nanchang City; as well as Tonghua Project (namely Hou De Zai Wu) in Tonghua City.

Gross profit decreased by RMB7.7 million to RMB74.0 million for FY2016 compared to RMB81.7 million in FY2015. The decrease in gross profit was due mainly to the Group incurred impairment of net realisable value of the held for sale car parking lots at Aqua Lake Project amounting to RMB28.9 million.

Gross profit margin decreased to 12.3% in FY2016 from 18.4% in FY2015. The drop in gross profit margin was mainly due to the sales of residential units of Hou De Zai Wu project which commanded lower gross profit margins than the Group's projects in Guangzhou; and also the impairment of net realisable value of the held for sale car park lots at Aqua Lake Grand City.

The Group recorded a gain of RMB14.3 million arising from fair value adjustments on the Group's investment properties in FY2016 compared to RMB26.7 million in FY2015 based on the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The gain was mainly due to the slightly increase in fair value of investment properties resulted from higher rental prices as experienced in certain cities of the PRC and the transfer of properties held for development to investment properties during the year.

The Group recorded other income and gains of RMB31.0 million for FY2016 which was RMB7.2 million higher compared to RMB23.8 million in FY2015. The increase was due to the increased ticket sales income of Batai Mountain National Park of RMB10.1 million (FY2015: RMB2.8 million) for the year.

The Group recorded selling expenses of RMB21.8 million for FY2016 which was RMB11.9 million lower compared to RMB33.7 million in FY2015. The decrease was mainly due to fewer advertising and promotional activities, lower salaries and allowances, and rental expenses during the year. The decrease in salary was due to recruitment of less temporary sales staff during the year as compared to the previous financial year when the Group's Xilang and Huadu Projects were first launched. The decrease in rental and building management expenses was due to fewer showrooms being leased for promotion activities during the year.

The Group recorded administrative expenses of RMB96.8 million for FY2016 which was RMB3.2 million lower compared to RMB100.0 million in FY2015. The decrease was mainly due to (i) decrease in salaries and wages as a result of the one-off severance payment to the retrenched employees as part of the Group's staff rationalisation exercise conducted in last year; and (ii) lower entertainment, office and travelling expenses due to the implementation of cost control policy.

The Group recorded income tax expense of RMB83.3 million for FY2016 which was RMB61.4 million higher compared to RMB21.9 million in FY2015. The amount mainly represented the net effect of PRC enterprise income tax of RMB26.7 million, land appreciation tax of RMB84.4 million and deferred tax assets of RMB27.8 million provided for the year. Increase in income tax expense was mainly due to provision of land appreciation tax ("LAT") on the appreciation value upon the deemed sales of relocation properties for Ming Yue Shui An project and Aqua Lake Grand City project amounted to RMB66.6 million and RMB13 million respectively, under the LAT Implementation Rules of the PRC.

As an overall result, the Group recorded a net loss attributable to shareholders of RMB81.7 million, which was RMB54.9 million higher compared to RMB26.8 million in FY2015.

## CASH FLOWS ANALYSIS

For FY2016, the Group recorded RMB332.3 million of cash inflow from operating activities which was mainly attributable to the decrease in properties held for sales and increase in receipts in advance from customers.

Net cash inflow from investing activities in FY2016 of RMB94.9 million was mainly due to the decrease in restricted bank deposits.

Net cash outflow from financing activities in FY2016 of RMB423.5 million was mainly due to the repayments of bank and other borrowings.

As a result, the Group has a cash and cash equivalent of RMB105.9 million.

## FINANCIAL POSITION

### Non-current assets

As at 30 June 2016, the Group's non-current assets stood at RMB665.4 million, representing an increase of RMB153.3 million compared to RMB512.1 million as at 30 June 2015. The increase was mainly attributable to an increase in investment properties of RMB137.9 million.

The increase in investment properties was mainly due to (i) transfer from owner-occupied properties of RMB6.6 million and properties held for development of RMB106.5 million and (ii) fair value adjustments as per valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited on the Group's investment properties.

### Current assets

As at 30 June 2016, the Group's current assets stood at RMB4,122.6 million, representing a decrease of RMB238.9 million compared to RMB4,361.5 million as at 30 June 2015. The decrease was mainly attributable to (i) decrease in properties held for development of RMB101.8 million as a result of the reclassification to the investment properties; (ii) an increase in properties held for sale by RMB179.4 million which was partially offset by the decrease in property held under development by RMB186.1 million. The increase in property held for sales and decrease in property held under development was due to the completion of Hou De Zai Wu（厚德载物）during the period and as a result, the project was reclassified as "property held under development" from "property held for sale"; and (iii) decrease in cash and bank balances of RMB98.0 million for daily operation during the year.

### Current liabilities

As at 30 June 2016, the Group's current liabilities stood at RMB3,017.1 million, representing an increase of RMB262.6 million, compared to RMB2,754.5 million as at 30 June 2015.

This was mainly due to the net effect of (i) a decrease in accounts payable by RMB73.6 million due to the Group's contractors and suppliers; (ii) an increase in accruals, deposits received and other payables due to the increase in receipts in advance from the customers and (iii) an increase in tax payable by RMB48.5 million.

### Non-current liabilities

As at 30 June 2016, the Group's non-current liabilities stood at RMB778.9 million, representing a decrease of RMB260.9 million, compared to RMB1,039.8 million as at 30 June 2015. This was mainly due to the decrease in bank and other borrowings by RMB259.2 million as a result of reclassification to current loans during the year.

### Total equity

As at 30 June 2016, the Group's equity stood at RMB992.0 million, representing a decrease of RMB87.3 million, compared to RMB1,079.3 million as at 30 June 2015. This was mainly due to the loss incurred for the year.

# Projects Highlights

| Name of property development/Location | Site area (sq m) | Planned GFA (sq m) | Type | Tenure | Effective equity interest (%) | Approximate percentage of handover (%) |
|---|---|---|---|---|---|---|
| **Completed development properties** | | | | | | |
| **Yuanbang Aviation Homeland** (元邦航空家园) Huangshi West Road Baiyun District, Guangzhou City Guangdong Province, PRC | 34,398 | 127,999 | R, C | R: 70 years<br>C: 40 years<br>Other uses: 50 years | 96 | 100% |
| **Yuanbang Mingyue Gardens** (元邦明月园) He'nan Chigang Haizhu District, Guangzhou City Guangdong Province, PRC | 13,843 | 65,527 | R, C | R: 70 years<br>C: 40 years<br>Other uses: 50 years | 100 | 100% |
| **Total** | **48,241** | **193,526** | | | | |
| **Properties held for sale** | | | | | | |
| **Ming Yue Xing Hui** (明月星辉) Wenchang North Road Liwan District, Guangzhou City Guangdong Province, PRC | 9,510 | 68,139 | R, C | R: 70 years<br>C: 40 years | 100 | R: 100%<br>C: commenced leasing |
| **Ming Yue Jin An** (明月金岸) Northern West Hengsha Village Shijing Town Baiyun District Guangzhou City Guangdong Province, PRC | 26,505 | 50,350 | R, C | R: 70 years<br>C: 40 years<br>Other uses: 50 years | 100 | R: 92% |
| **Ming Yue Shui An** (明月水岸) Yu'anwei, Xilang Village South of Huadi Avenue Liwan District, Guangzhou City Guangdong Province, PRC | 48,194 | 139,134 | R, C | R: 70 years<br>C: 40 years<br>Other uses: 50 years | 100 | R: 55% |
| **Total** | **84,209** | **257,623** | | | | |

| Name of property development/Location | Site area (sq m) | Planned GFA (sq m) | Type | Tenure | Effective equity interest (%) | Approximate percentage of handover (%) |
|---|---|---|---|---|---|---|
| **Properties under development** | | | | | | |
| **Shan Qing Shui Xiu** (山清水秀) North Shanqian Tourist Avenue Qixin Village, Furong Town Huadu District, Guangzhou City Guangdong Province, PRC | 269,572 | 351,594 | R | R: 70 years | 100 | PI: 78%<br>PII: 65%<br>PIII: commenced pre sale |
| **Hou De Zai Wu** (厚德載物) Jiang Nan Xin Qu Xiu Zheng Da Qiao Nan Ce Tonghua City Jilin Province, PRC | 224,677 | 538,360 | R, C | R: 70 years<br>C: 40 years<br>Other uses: 50 years | 51 | R: 25% |
| **Ren Jie Di Ling** (人杰地灵) North of Guangzhou Road West of Zhanjiang Road Rushan City Shandong Province, PRC | 65,863 | 214,322 | R, C | R: 70 years<br>C: 40 years | 75 | R: commenced pre sale |
| **Batai Mountain Project** Tianchiba Village, Batai Town Wanyuan City Sichuan Province, PRC | 231,137 | 462,273 | R, C | R: 70 years<br>C: 40 years | 82 | N/A |
| **Huizhou Project** Honghuayuan of Hutou Village Longxi Town, Boluo County Huizhou City Guangdong Province, PRC | 130,830 | N/A | C | C: 50 years | 75 | N/A |
| **Total** | **922,079** | **1,566,549** | | | | |

R = Residential
C = Commercial
I = Industrial
H = Hotel & Service Apartment

# Board of Directors

## MADAM LIN YEJU（林叶菊）, AGE 47

**Non-Executive Chairman**

Madam Lin was appointed as the Group's Non-Executive Director and Chairman of the Board on 5 February 2015 and was last re-elected on 23 October 2015. From 1990 to 1993, Madam Lin worked in Guangdong Hongda No. 6 Construction Company as Accounting Manager and was responsible for cash budgeting and fund raising. From 2008 to present, she is an Executive Director of the Group's subsidiary, Nanchang Changhao Real Estate Consultancy Co. Ltd. She is in charge of the sales and marketing activities of the Nanchang Project. Madam Lin is the spouse of Mr Chen Jianfeng, a substantial shareholder as well as the former Executive Director and Chairman of the Company.

## MR. OUYANG SHENG（欧阳生）, AGE 52

**Executive Director/Chief Executive Officer**

Mr. Ouyang was appointed as the Group's Executive Director on 20 December 2006 and was last re-elected on 23 October 2015. Mr. Ouyang was also appointed as the Group's Chief Executive Officer on 8 May 2015. Mr. Ouyang is responsible for the Group's property development strategies, identifying new business opportunities and overseeing the day-to-day operations of the Group Mr. Ouyang started his career in August 1984, when he joined Jiangxi Fengcheng Mining Bureau（江西丰城矿务局）as engineering vice-manager, and was responsible for managing the engineering construction projects of the Company. He joined the Group in September 1999 as a quality control manager. Mr. Ouyang graduated from Jiangxi Polytechnic University（江西工业大学）in July 1984 with a Bachelor's degree in Construction. Mr. Ouyang also obtained a Bachelor's degree in Economics from the China Coal Economics College（中国煤炭经济学院）in July 1991. Mr. Ouyang is currently a construction cost engineer and a senior project management engineer of the People's Republic of China, Guangdong Province Human Resources Bureau（广东省人事厅）. He is also a construction enterprise second level project manager recognised by Coal Industry Basic Infrastructure Co.（煤炭工业基本建设司）and an economist of the People's Republic of China Human Resources Department（中国人民共和国人事部）. In 2010, Mr. Ouyang obtained a Master's of Business of Administration from University of South Australia.

## MR. ZHENG SHAORONG（郑少荣）, AGE 50

**Executive Director**

Mr. Zheng was appointed as the Group's Executive Director on 29 October 2013 and was last re-elected on 24 October 2014. Mr. Zheng is responsible for the Group's business development. Mr. Zheng started his career in 1987, when he joined Guangzhou Pearl River Enterprise Group Limited（广州珠江实业集团有限公司）as leading accountant, and was responsible for overseeing the financial department of the Company. In 1989, Mr. Zheng joined Swiss Zhongxing Investments Co. Ltd.（瑞士中星投资有限公司）as vice general manager and was responsible for the strategic planning of the Company. Prior to joining the Group in April 2007, Mr. Zheng was the Chief Financial Officer of Guangzhou Ruifeng Industrial Co. Ltd.（广州瑞丰实业有限公司）. Mr. Zheng graduated from Guangzhou Jinan University（广州暨南大学）in 1987 with a Bachelor's degree in Economics. Mr. Zheng obtained a Master's of Business of Administration from Murdoch University of Australia in 2001 and a Doctor's degree in Finance from Shanghai Finance And Economics University（上海财经大学）in 2007. Mr. Zheng is a Senior Accountant since 1997 and a member of Senior Accountant Qualification Committee（高级会计师资格评审委员会）since 1999.

## MR. TEO YI-DAR（张毅达）, AGE 45

**Independent Director**

Mr. Teo was appointed as an Independent Director on 26 March 2007 and was last re-elected on 23 October 2015. He is an investment professional with over fifteen years of private equity, venture capital and direct investment experience. He manages investments in ASEAN and China and has invested in a number of companies in the electronics, chemical, engineering, manufacturing and technology sectors. Mr. Teo graduated from the National University of Singapore with a Bachelor's degree in Engineering in 1996. He also obtained a Master's of Science in Industrial Systems Engineering in 1998 and a Master's of Science in Applied Finance in 2000 from the same university. In 2001, Mr. Teo was recognised as a Chartered Financial Analyst by the CFA Institute.

Mr. Teo is currently an Independent Director of Smartflex Holdings Ltd and Yangzijiang Shipbuilding (Holdings) Ltd, and a Non-Executive Director of HG Metal Manufacturing Limited and Denox Environmental & Technology Holdings Ltd.

## MR. CHONG SOO HOON SEAN（张诗云）, AGE 41

**Independent Director**

Mr. Chong was appointed as an Independent Non-Executive Director on 13 March 2015 and was last re-elected on 23 October 2015. Mr. Chong is currently the managing director of Anda Capital Solutions Private Limited, a business advisory and investment firm. He has more than 15 years of experience in investment banking, corporate advisory and direct investment, in particular, he was actively involved in a broad range of corporate finance transactions for listed and private entities throughout the Asia-Pacific region, including initial public offers, mergers and acquisitions, rights issues and other corporate advisory work.

Mr. Chong graduated with a Bachelor's (Honours) degree in Accounting and Financial Studies from University of Exeter, United Kingdom. He is currently an Independent Non-Executive Director of China Kangda Food Company Limited (a public company dual-listed in Singapore and Hong Kong) and several private companies in Singapore.

## MR. XIE RUIHUA（谢瑞华）, AGE 53

Mr. Xie was appointed as an Independent Non-Executive Director on 1 March 2016. From 2007 to 2010, Mr. Xie was the general manager in the business service department of the Agricultural Bank. From 2010 to 2013, He was the general manager of the institutional business department of the Agricultural Bank. From 2014 to present, he is the general manager of Guangdong YiMa ChanZhen Financing Lease Co., Ltd. He has more than 15 years of experience in banking and finance industry.

# Key Management Personnel

## MR. TSE KWOK HING HENRY（谢国兴）, AGE 32

**Chief Financial Officer/Company Secretary**

Mr. Tse joined our Group as Chief Financial Officer/Company Secretary on 18 April 2016. He is responsible for the preparation of all of our Group's financial statements as well as reviewing and developing effective financial policies and control procedures within our Group. Mr. Tse has over nine years of experience in accounting and auditing. Prior to joining the Group, he worked in an international accounting firm in Hong Kong. Mr. Tse graduated from The University of Hong Kong in 2007 with a bachelor's degree in Business of Administration. He is also a member of the Hong Kong Institute of Certified Public Accountants.

## MS. CHEN DONGMEI（陈冬梅）, AGE 46

**Finance Manager**

Ms. Chen joined our Group in January 2002. She is responsible for the finance and accounting matters of the Group. Ms. Chen was a teacher at the Guangdong Province Health Bureau（广东省卫生厅）between 1988 to February 1992. From March 1992 to December 2001, Ms. Chen was an operations assistant and subsequently a finance executive at Guangzhou Baiyun Mountains Enterprise Group Ltd.（广州白云山企业集团）, a medicine manufacturing company where she was responsible for the accounting matters. Ms. Chen obtained a certificate in accounting (mid-level) from the People's Republic of China Finance Department（中国人民共和国财政部）in May 2000 and graduated from Renmin University of China in September 2003 with a Bachelor's degree in accounting. She also obtained a master's degree in Business Administration from the Renmin University of China-Research Institute（中国人民大学生一研究所）in June 2005. Ms. Chen is currently recognised as a senior international financial manager by the International Financial Management Association（国际财务管理师协会）. Ms. Chen was recognised as a senior accountant by the Guangdong Province Human Resources Bureau in March 2007.

## MR. ZHOU JIANGTAO（周江涛）, AGE 44

**Operations Manager**

Mr. Zhou joined our Group in August 2005. He is responsible for the management and implementation of our Group's property development projects. Mr. Zhou started his career in October 1991, when he joined Guangdong Kangli Electrical and Gas Group（广东康立通用电器集团有限公司）as a manager and was responsible for managing the installation of basic construction and other engineering works. In December 1999, Mr. Zhou left Guangdong Kangli Electrical and Gas Group（广东康立通用电器集团有限公司）and joined Hongda, where he held the position of vice-general manager between March 2000 and August 2005. As vice-general manager, Mr. Zhou was responsible for managing all aspects of the company's property construction projects. Mr. Zhou graduated from the Guangdong National Defence Polytechnic University（广东国防工业大学）in July 1991 where he obtained a Bachelor's degree in Automated Electrical Appliances. In October 2003, Mr. Zhou was certified a qualified construction and utilities installation engineer by the Guangdong Province Human Resources Bureau（广东省人事厅）.

# Corporate Governance Report

The Board of Directors (the "Board") of China Yuanbang Property Holdings Limited ("the Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"), where possible, through the implementation of self-regulatory and monitoring mechanisms within the Group.

The Board has taken steps to align the Group's governance framework with the recommendations of the Code of Corporate Governance 2012 (the "CG2012"), where applicable, relevant and practicable to the Group. Any deviation from the guidelines of the CG2012 or areas of non-compliance are provided.

## BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

The Board oversees the business and corporate affairs of the Group. It sets the Group's strategic direction and vision and directs the Group's overall strategy, policies, business plans, as well as, stewardship and allocation of the Group's resources. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The Board's role includes:

(i) providing effective leadership, reviewing and approving strategic plans, annual budget, major objectives, investing and funding activities;

(ii) overseeing the process related to risk management and internal controls, financial reporting and compliance including approving and release of financial results and announcements of material transactions;

(iii) approving compensation policies for key management personnel;

(iv) reviewing and monitoring the Group's performance towards maximizing shareholders' value;

(v) declaring interim and final dividends;

(vi) approving the appointments/re-elections of Directors and appointment of key management personnel; and

(vii) overseeing the proper conduct of the Group's business, setting the Group's values and standards and assuming responsibility for corporate governance.

The Board objectively makes decisions in the interests of the Group. The Board is supported by the Audit Committee ("AC"), Remuneration Committee ("RC"), Share Option Scheme Committee and Nominating Committee ("NC"). The Board accepts that while these Board Committees have the power to make decisions or execute actions or make recommendations in their specific areas respectively, the ultimate responsibility rests with the Board.

The Board and Board Committees meetings are scheduled in advance to coincide with the release of the announcements of the Group's quarterly and year-end results. When required, additional Board meetings will also be held to address significant transactions or issues that arise in between the scheduled meetings. The Bye-laws of the Company provide for the attendance at meetings by the Directors through teleconferencing or video-conferencing. Directors who are unable to attend any unscheduled or ad hoc Board meetings which are convened on short notice will be able to participate in the meeting via such means.

When circumstances require, the Directors may also request for further explanation, briefing or discussion on any aspect of the Group's operations or business from Management and/or exchange views outside the formal settings environment of Board meetings.

All the Board Committees consist a majority of non-executive Directors. Further details of the scope and functions of the various Board committees are set out in the later part of the Report.

The Board has delegated day-to-day operations to Management, while reserving certain key matters for its approval. The Company has put in place an Authorisation Matrix setting out the approving authority and limit guidelines, in particular the level of authorisation required for specified transactions, including those that require Board approval. Matters that specifically require Board approval are the Group's financial results, annual budgets, annual reports, financial statements, interested person transactions, acquisitions and disposal of assets, corporate or financial restructuring, dividend payments and the convening of members' meetings. Board approval is also required for any matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business.

Details of Board and Board committee meetings held during FY2016 are disclosed in the table below:

| Meeting | Board | AC | NC | RC |
|---|---|---|---|---|
| **Total held in FY2016** | 4 | 4 | 1 | 1 |
| Lin Yeju | 4 | N/A | *1 | *1 |
| Ouyang Sheng | 4 | *4 | *1 | *1 |
| Zheng Shaorong | 4 | *4 | N/A | N/A |
| Teo Yi-Dar | 4 | 4 | 1 | 1 |
| Huang Zhangxin[1] | 3 | 3 | 1 | 1 |
| Chong Soo Hoon Sean | 4 | 4 | 1 | 1 |
| Xie Ruihua[2] | 1 | 1 | N/A | NA |

*N/A: Not applicable*
* *By invitation*

1. Mr. Huang Zhangxin resigned on 1 March 2016.

2. Mr. Xie Ruihua was appointed as an Independent Director of the Company on 1 March 2016.

3. There was no Share Option Committee meeting held for FY2016.

The Group encourages Directors to receive regular training and updates on relevant laws and regulations and to participate in conferences, seminars or any training programme to equip them with the relevant knowledge to discharge their duties and responsibilities as Directors in an effective and efficient manner. Relevant updates and/or news releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") will also be circulated to the Board for information.

Pursuant to the Guideline 1.6 of the CG2012, all Directors had participated in various continuous professional development programmes such as attending internal briefing sessions in relation to the corporate governance, attended relevant seminars or conference to develop professional skills and knowledge, and read materials in relation to regulator updates.

All Directors have been updated on the latest developments regarding the Singapore Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Newly appointed Directors are issued with letters of appointment setting out the terms of their appointment and their duties and obligations. These Directors would also be briefed on the business activities and the strategic directions and policies of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a director of a listed company in Singapore, will undergo the necessary training and briefing.

Independent Directors of the Company have the opportunity to visit the Group's various project sites to understand the status of the various property development projects. The Independent Directors also have the opportunity to meet with Management to gain a better understanding of the Group's business operations. In addition, the Independent Directors regularly meet and communicate without the presence of Management.

## Principle 2: Board Composition and Guidance

The Board currently consists of six members, three of whom are independent.

**Non-Executive Director**
Lin Yeju *(Chairman)*

**Executive Directors**
Ouyang Sheng
Zheng Shaorong

**Independent Directors**
Teo Yi-Dar
Chong Soo Hoon Sean
Xie Ruihua (appointed on 1 March 2016)
Huang Zhangxin (resigned on 1 March 2016)

The current Board comprises persons who as a group provide core competencies necessary to meet the Group's objectives. None of the Directors on the Board are related and do not have any relationship with the Group or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements, save for Madam Lin Yeju, who is the spouse of Mr. Chen Jianfeng, a substantial shareholder of the Company. Madam Lin is also an Executive Director of one of the subsidiaries of the Company. Currently, no director was appointed as an alternate director.

The Board, with the concurrence of the NC, is of the view that the current size of the Board is appropriate for the time being to discharge its duties and responsibilities effectively taking into account the nature and scope of the Group's operations. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a diversity of experience and expertise to contribute to the development of the Group's strategy and performance of its business.

The Independent Directors' views and opinions provide alternative perspectives to the Group's business and enable the Board to make informed and balanced decisions. When reviewing Management proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

The Board has appointed Mr Teo Yi-Dar as Lead Independent Director to address any concerns and issues of the Company's shareholders that cannot be appropriately dealt with by the Chairman, CEO or Chief Financial Officer.

The CG2012 provides that the independence of Directors who have served on the Board for more than nine years from the date of their first appointment be subject to rigorous review. Mr Teo Yi-Dar had served on the Board for nine years. Taking into account the views of the NC, the Board has also reviewed and considered Mr Teo Yi-Dar to be independent after having determined that he has no relationship with the Company, its related corporations, its 10% shareholders or its officers that he could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the Company. Mr. Teo Yi-Dar has, throughout his appointment, demonstrated strong independence in character and judgement in the discharge of his responsibilities as director of the Company. He has continued to express his individual viewpoints, debated issues and objectively challenged the Management. He had sought clarification and amplification as he deemed required.

**Principle 3: Chairman and Chief Executive Officer ("CEO")**

The posts of Chairman and CEO are held by Madam Lin Yeju and Mr. Ouyang Sheng respectively and they are not related to each other.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO. Madam Lin Yeju, the Non-Executive Chairman, provides leadership to the Board. She sets the meeting agenda in consultation with the CEO and CFO. She also ensures that Directors are provided with accurate, timely and clear information. The Chairman also oversees the compliance with the corporate governance guidelines.

Mr. Ouyang Sheng works on the Group's property development strategies, identifying new business opportunities and overseeing the day-to-day operations of the Group.

All major decisions made by the CEO have to be endorsed by the Board. Their performances are reviewed by the NC and their remuneration packages are reviewed by the RC. The NC and RC comprise all Independent Directors. The Board believes that the Independent Directors have demonstrated high commitment in their role as Directors and have ensured that there is good balance of power and authority. There is an independent element on the Board with the three Independent Directors out of six Directors of the Company to enable independent exercise of objective judgement in the affairs of the Group. As such, the Board believes that there are adequate safeguards and checks in place to ensure that the decision-making process by the Board is independent and based on collective decision-making, without any one person being able to exercise considerable concentration of power or influence.

**Principle 4: Board Membership**

The NC is regulated by a set of written terms of reference. The NC comprises all independent Directors. Members of the NC are:

Chong Soo Hoon Sean *(Chairman)*
Teo Yi-Dar
Xie Ruihua

The NC meets at least once a year.

The principal functions of the NC are as follow:

(a) to review nominations for the appointment, re-appointment and re-election to the Board having regard to the Director's contribution and performance (e.g. attendance, level of participation, business performance of the Group);

(b) to ensure that all Directors submit themselves for re-election at regular intervals;

(c) to assess the effectiveness of the Board and Board Committees;

(d) to review and evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as Director of the Company, particularly competing time commitments that are faced when the Directors have multiple Board representations;

(e) to decide how the Board's and Board Committees' performance may be evaluated and assessed;

(f) to review on an annual basis the independence of Directors, bearing in mind the circumstances set forth in the CG2012 and any other salient factors;

(g) to review succession plans, in particular, for the Chairman and the CEO;

(h) to oversee the induction, orientation and training for any new and the existing Directors.

In accordance with the Company's Bye-Laws, each Director is required to retire at least once in every three years and all newly appointed Directors by the Board will have to retire at the next Annual General Meeting ("AGM") following their appointments. The retiring directors are eligible for re-election as Directors at the AGM.

Pursuant to Bye-law 85(6) of the Company's Bye-laws, Mr Xie Ruihua will be retiring at the forthcoming AGM. Mr Xie Ruihua has signified his consent to remain in office.

The NC having considered the attendance and participation of Mr. Xie Ruihua at the Board and Board Committee meetings, in particular, his contributions to the oversight, management of the decision making process regarding the business and operations of the Group, had nominated him for re-election at the forthcoming AGM.

The Board has accepted the NC's recommendation. Mr Xie Ruihua has abstained from voting on any resolutions and/or participation in the deliberations regarding his re-election as a Director.

Key information regarding the Directors are provided on pages 20 to 21 of this Annual Report.

On competing time commitments faced by Directors who have multiple Board representations, the NC, besides procuring written confirmations from the Independent Directors of the Company, also considered their level of participation at meetings and whether they have given sufficient time and attention in addressing matters or issues raised to the Board.

The NC is of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each company vary, and every individual is made differently, thus one should not be presumptive as sufficiency of time cannot be objectively determined in all situations. The Board and the NC have concluded that such multiple Board representations, if any, do not hinder each Director from carrying out his duties as a Director of the Company and satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company.

The NC had reviewed the independence of the Board members and had determined Mr. Teo Yi-Dar, Mr. Xie Ruihua and Mr. Chong Soo Hoon Sean to be independent and free from any of the relationships outlined in the CG2012 that could interfere with the exercise of their independent judgements.

The NC has put in place a "Process for Selection and Appointment of New Directors", which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board.

The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC before making a recommendation for appointment to the Board.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an Independent Director; (b) the composition requirements for the Board or Board Committees as the case may be; (c) the candidate's track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

In the case of the appointment of an Executive Director, he will be provided a service agreement for an initial period of one year, setting out the terms and conditions of his appointment, while for a Non-Executive Director, a formal letter of appointment will be issued, setting out the terms and conditions of his appointment.

During the year, the NC reviewed the changes in Directorate and these were described in the footnotes of "Meeting Attendance on page 24 of this Annual Report.

**Principle 5: Board's and Board Committees' Performance**

The NC has adopted a formal system of evaluation of the Board as a whole on an annual basis as well as Board Committees' evaluation for FY2016.

The NC believes that it is more appropriate to assess the Board as a whole, rather than assessing individual Directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board. All Directors are required to complete the Evaluation Questionnaires in respect of the Board and each Board Committee.

The Board Evaluation Questionnaire takes into consideration factors such as Board size and composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/Senior management and standard of conduct of the Board members.

The evaluation exercise provided feedback from each Director, his views on the Board, procedures, processes and effectiveness of the Board as a whole. The results of the Board Performance Evaluation were collected and presented to the NC for discussion together with comparatives from the previous year's results.

The NC is generally satisfied with the Board Evaluation results for FY2016, which indicated areas of strengths and those that could be improved further. No significant problems had been identified. The NC had discussed the results with the Board and the Board had agreed to work on these areas that require improvements. The NC would continue to evaluate the process for such review, its effectiveness and development from time to time.

The respective Board Committees Evaluation Questionnaires focus on a set of criteria, which includes membership, conduct of the committee's meetings, training and resources, fulfillment of its duties and responsibilities in accordance with its terms of reference, standards of conduct and communications with shareholders.

**Principle 6: Access to Information**

Management provides the Board with adequate and timely information and updates on initiatives and developments for the Group's business whenever possible. Besides these, the Board receives monthly management accounts of the Group's principal subsidiaries to enable them to oversee the Group's operational and financial performance.

The Board has independent and separate access to Management and the Company Secretary. All Directors have unrestricted access to the Group's information and all minutes of meetings held by the Board. Management staff are invited to attend Board meetings when appropriate, to provide additional insight to matters raised, and to respond to any queries that the Board members may have.

The Company Secretary attends all meetings of the Board and Board Committees and ensures that the meetings are conducted in accordance with the Bye-Laws of the Company and applicable rules and regulations are complied with. The Company Secretary also prepares agenda papers for Board and Board Committee meetings in consultation with the Chairman and the Chairman of Board Committees, and ensures that information flow within the members of the Board and the Board Committees, as well as between the senior management and Independent Directors. The appointment and removal of the Company Secretary are subject to Board approval.

All Directors are updated on an on-going basis via Board meetings and/or circulars on matters relating to, inter alia, changes to the regulations of SGX-ST, accounting standards and/or other statutory requirements. When necessary, the Board may seek independent professional advice at the Company's expense.

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

The RC, regulated by a set of written terms of reference, comprises entirely of the following Independent Directors:

Xie Ruihua *(Chairman)*
Teo Yi-Dar
Chong Soo Hoon Sean

The RC meets at least once annually.

The principal functions of the RC are as follows:

(a) recommend to the Board a framework of remuneration for the Directors, CEO and key management personnel;

(b) determine specific remuneration packages and terms of employment for each Director, CEO and key management personnel, including renewal of service agreements;

(c) review and recommend Directors' fees for Independent Directors, taking into account factors such as their effort and time spent and their responsibilities;

(d) recommend to the Board long term incentive schemes which may be set up from time to time;

(e) review whether the Executive Directors, CEO and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time; and

(f) carry out other duties as may be agreed by the RC and the Board.

The RC will seek external expert advice on remuneration matters if and when required.

### Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Group's relative performance and the performance of the individuals concerned are considered.

The Independent Directors receive directors' fees taking into account various factors such as their contributions, effort and time spent, work undertaken and their responsibilities. The RC had recommended an amount of S$130,000 as Directors' fees for the financial year ending 30 June 2017, payable half-yearly in arrears. The Directors' fees are subject to approval by shareholders at the Company's forthcoming AGM.

The Executive Directors do not receive Directors' fees. The employment of the Executive Director and the CEO are on a 1-year term pursuant to their respective service agreements and are automatically renewed annually.

The Non-Executive Chairman, Madam Lin Yeju, is not entitled to Director's fee as she is remunerated from the Group's subsidiary for her executive role.

No Director is involved in deciding his own remuneration. Each of Mr Teo Yi-Dar, Mr Chong Soo Hoon Sean and Mr. Xie Ruihua being RC members, abstained from deliberation and voting in respect of their own remuneration.

In the service agreements of the Executive Director and the CEO, there is a termination/resignation notice period of not less than three months and do not contain onerous removal clauses. The service agreements may also be terminated if any of the Executive Director or the CEO commits a breach of the service agreements, such as being convicted of an offence involving fraud or dishonesty or being an adjudicated bankrupt.

### Principle 9: Disclosure on Remuneration

The level and mix of each individual Director's and the CEO's remuneration for FY2016 is as follows:

| Directors | Directors' fees | Salary | Bonus | Benefits | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Lin Yeju | – | 139 | – | 15 | 154 |
| Ouyang Sheng | – | 674 | – | 15 | 689 |
| Zheng Shaorong | – | 420 | – | 15 | 435 |
| Teo Yi-Dar | 251 | – | – | – | 251 |
| Huang Zhangxin[1] | 91 | – | – | – | 91 |
| Chong Soo Hoon Sean | 229 | – | – | – | 229 |
| Xie Ruihua[2] | 29 | – | – | – | 29 |

1. Mr. Huang Zhangxin resigned on 1 March 2016.

2. Mr. Xie Ruihua was appointed as an Independent Director of the Company on 1 March 2016.

As part of its responsibilities, the RC reviews the remuneration of each of the Directors and key management personnel's remuneration packages annually and makes recommendations to the Board for approval. The RC ensures that their remuneration commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

### The Group's Key Management Personnel in Remuneration Band

| | Salary | Bonus | Benefits | Total |
|---|---|---|---|---|
| **Below S$250,000** | | | | |
| Zhou Jiangtao, Operation Manager | 100% | – | – | 100% |
| Wang Manyu, Human Resources Manager | 100% | – | – | 100% |
| Chong Ching Hoi, CFO and Company Secretary(1) | 100% | – | – | 100% |
| Tse Kwok Hing, Henry, CFO and Company Secretary(2) | 100% | – | – | 100% |

1. Mr. Chong Ching Hoi resigned on 1 March 2016.

2. Mr. Tse Kwok Hing Henry was appointed as the CFO and Company Secretary of the Company on 18 April 2016.

Notwithstanding Guideline 9.3 of the CG2012, there were only three key management personnel (who are not Directors or the CEO) during FY2016.

The total remuneration paid to the above Group's key management personnel was RMB1,488,000 for FY2016. There are retirement scheme contributions granted to the Directors, the CEO and the top three key management personnel.

There are no immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year.

***The China Yuanbang Share Option Scheme***

The China Yuanbang Share Option Scheme (the"Scheme") was approved and adopted by the shareholders of the Company at a Special General Meeting on 28 June 2010. The objectives of the Scheme adopted are as follows:

(a) to motivate each participant to optimise his performance standards and efficiency and to maintain a high level of contributions to the Group;

(b) to retain key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group;

(c) to instill loyalty and a stronger identification by the participants to the long-term prosperity of the Company;

(d) to attract potential employees with relevant skills and experience to join and contribute to the Group and to create value for the shareholders of the Company;

(e) to align the interests of the participants with the interests of the shareholders of the Company; and

(f) to recognise the contributions of the Non-Executive Directors to the success of the Group.

The Scheme is administered by the Share Option Scheme Committee comprising the following persons:

Xie Ruihua *(Chairman)*
Teo Yi-Dar
Chong Soo Hoon Sean

The Share Option Scheme Committee has the power to determine, inter alia, the eligible persons to be granted options under the Scheme, the number of options to be granted, the quantum of discount to the exercise price of options granted, if any, and to recommend any modifications to the Scheme, where necessary.

There were no options granted during FY2016.

Please refer to pages 38 to 39 for details of the Scheme.

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

Management is accountable to the Board and presents to the Board the quarterly and full-year results and the AC reports to the Board on the results for review and approval. The Board approves the results and authorizes the release of results to the SGX-ST and the public via SGXNET.

In line with the SGX-ST listing requirements, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements, confirming to the best of its knowledge that, nothing had come to its attention would render the Company's quarterly results to be false or misleading.

The Group ensures that price sensitive information is publicly released, either before the Group meets any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within the mandatory period.

In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to provide shareholders with detailed analysis, explanations and assessments of the Group's financial position and prospects.

Management provides the Board with monthly management accounts of the Group's principal subsidiaries. This is supplemented by updates on matters affecting the financial performance and business of the Group, if such matters occur, on a timely basis.

### Principle 11: Risk Management and Internal Controls
### Principle 12: Internal Audit

The Board acknowledges that it is responsible for ensuring the Group has in place a sound system of internal controls. It is however, impossible to preclude all errors and irregularities, as a system is designed to manage rather than eliminate risks, and therefore can provide only reasonable and not absolute assurance against material misstatements or losses, errors or misjudgments, fraud or other irregularities.

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. A risk register identifying the key risks and the mitigation controls were put in place. Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

To ensure that internal controls and risk management processes are adequate and effective, the Group has engaged Mazars CPA Limited, the Group's internal auditors ("IA") to review the risk management process during the year. This is on top of the annual internal audit of the Group which covers the review of financial, operational and compliance controls functions of the Group. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by Management on the recommendations made by the internal and external auditors.

### *Internal Audit*

The internal audit function is outsourced to Mazars CPA Limited. The IA reports directly to the Chairman of the AC on audit matters and to Management on administrative matters. The role of the IA is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures and undertaking investigations as directed by the AC. The AC assesses the adequacy and effectiveness of the internal audit function on an annual basis. For FY2016, the AC is satisfied with the adequacy and effectiveness of the internal audit function.

Based on the various management controls in place, the reports from the internal and external auditors and reviews by Management, the Board with the concurrence of the AC is of the opinion that the Group's risk management and internal controls systems addressing the the financial, operational, compliance and information technology control risks were adequate and effective during the year. Management would continue to focus on improving the standard of internal controls and corporate governance.

As required under the CG2012, the Board has received a written assurance from the CEO and CFO that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and internal control systems are adequate and effective.

### Principle 13: Audit Committee

The AC comprises three members, all of whom are Independent Directors:

Teo Yi-Dar *(Chairman)*
Chong Soo Hoon Sean
Xie Ruihua

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC will meet quarterly in a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging its responsibilities to safeguard the Group's assets, maintaining adequate accounting records, and developing and maintaining an effective system of internal controls, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

For FY2016, the AC has performed the following in accordance with its terms of reference:

(a) met with both the internal and the external auditors to review the audit plans, and discussed the results of their audit findings, evaluation of the Group's system of internal accounting controls, their letter to Management and Management's response;

(b) reviewed the Group's financial results and announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audits, compliance with accounting standards, the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;

(c) reviewed with the internal auditors, the internal control procedures and ensured co-ordination between the internal and external auditors and Management, and reviewed the assistance given by Management to the auditors, and discussed problems and concerns, if any;

(d) met with the internal and external auditors, without the presence of Management. Both the internal and external auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;

(e) conducted a review of the non-audit services provided by the external auditors. The AC had noted that no non-audit services were rendered by the external auditors during the year under review and the external auditors had affirmed their independence in this respect. The audit fees paid to the external auditors for FY2016 amount to approximately RMB822,000;

(f) considered the appointment or re-appointment of the internal and external auditors and made recommendations to the Board on their nomination for re-appointment, as well as reviewing their remuneration;

    The AC had recommended the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("BDO LLP"), to act jointly and severally as the Company's Auditors to comply with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet the Company's audit obligations at the forthcoming AGM of the Company. The AC was satisfied that the resources and experience of BDO HK and BDO LLP, the Audit Engagement Partners and their teams assigned to the audit were adequate to meet it's audit obligations given the size and complexity of the Group;

(g) reviewed Interested Person Transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;

(h) reviewed arrangements by which staff of the Group and any other person may in confidence, raise concerns about fraudulent activities, malpractices or improprieties within the Group which may cause financial or non-financial loss to the Company, in a responsible and effective manner. There was no incident of whistle-blowing reported for FY2016;

(i) reviewed the risk profile register documented and maintained by Management;

(j) kept abreast of accounting standards and issues that could potentially impact the Group's financial reporting through quarterly updates and advice from the external auditors; and

(k) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm to audit it's accounts and its foreign-incorporated subsidiaries. The Group's significant subsidiaries are disclosed under Note 12 to the Financial Statements on pages 85 to 89 of this Annual Report.

The AC has full access to and co-operation from Management and full discretion to invite any Director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The external and internal auditors have unrestricted access to the AC.

**Principle 14: Shareholder Rights**
**Principle 15: Communication with Shareholders**
**Principle 16: Conduct of Shareholder meetings**

In line with continuous disclosure obligations pursuant to the SGX-ST listing requirements, the Group is mindful of the need to have regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group.

Information is communicated to shareholders on a timely basis through:

(a) SGXNet announcements and press releases;

(b) annual reports or circulars that are prepared and issued to all shareholders;

(c) quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period under review; and

(d) notices of and explanatory notes for AGM and Special General Meetings.

The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when necessary.

At the AGM, the shareholders will be given the opportunity to voice their views and to seek clarification on issues relating to the Group's business outlined in the AGM notice. Shareholders are encouraged to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend these meetings, he is allowed to appoint 2 proxies to vote on his behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars. The duly completed and signed proxy form must be submitted at least 48 hours before the shareholders' meeting at the Company's Share Transfer Agent's address. At shareholders' meeting, each distinct issue is proposed as a separate resolution.

The Board, including the Chairmen of the NC, AC, RC and Share Option Scheme Committee, external auditors attend AGMs to address questions that shareholders may have concerning the Group.

Effective from 1 August 2015, all resolutions at the Company's general meetings will be voted way of a poll to better reflect shareholders' interest pursuant to Rule 730(A)(2) of the Listing Manual. The detailed results would be announced via SGXNET after the conclusion of the general meetings.

***Dividend policy***

The Group does not have a dividend policy. Having reviewed the Group's FY2016 financial performance, no dividend has been declared or recommended for FY2016 as the Group wishes to conserve its cash for operational use. For any declaration of dividends, the details of dividend payment would be disclosed via the release of financial results announcements through SGXNET.

## SECURITIES TRANSACTIONS

The Group has adopted an internal compliance code of conduct to provide guidance to its Directors, key officers and employees regarding dealings in the Group's securities and implications of insider trading in compliance with Rule 1207(19) of the SGX-ST Listing Manual (the "Securities Code").

In line with the Group's Securities Code, the Company, Directors, key officers and employees of the Group are prohibited from dealing in securities of the Company two weeks before the release of the quarterly results and at least one month before the release of the full year results and at all times, if in possession of unpublished price-sensitive information. The Securities Code also discourages trading on short-term consideration. The Group confirmed that it had adhered to its policy for securities transactions for FY2016.

## MATERIAL CONTRACTS

Save for the service agreements entered into between the Company and the Executive Director and CEO, there were no other material contracts of the Company, or its subsidiaries involving the interests of the Chairman, CEO, any Director or controlling shareholder subsisting during FY2016.

## INTERESTED PERSON TRANSACTIONS ("IPTs")

The Group has established procedures to ensure that IPTs are reported in a timely manner to the AC and such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

There was no IPT mandate adopted nor any IPT during FY2016.

## PLACEMENT PROCEEDS

The net proceeds of RMB43,432,000 were raised from the placement of 39 million ordinary shares on 27 December 2013. As at 30 June 2016, the Company had used all the proceeds for the Group's property development projects.

# Directors' Report

The Directors present their report to the members together with the audited consolidated financial statements of China Yuanbang Property Holdings Limited（元邦房地产控股有限公司）(the "Company" and together with its subsidiaries, the "Group") for the financial year ended 30 June 2016.

## DIRECTORS

The Directors of the Company in office at the date of this report are:

*Non-Executive Director:*
Lin Yeju

*Executive Directors:*
Ouyang Sheng
Zheng Shaorong

*Independent Directors:*
Teo Yi-Dar
Chong Soo Hoon Sean
Xie Ruihua

## THE CHINA YUANBANG SHARE OPTION SCHEME

The China Yuanbang Share Option Scheme (the "Scheme") was approved and adopted by shareholders of the Company at a Special General Meeting on 28 June 2010. As at the date of this Annual Report, no option to take up unissued shares of the Company has been granted under the Scheme.

### Eligibility

Employees, Executive Directors and Non-Executive Directors of the Group who have attained the age of 21 years are eligible to participate in the Scheme at the absolute discretion of the Share Option Scheme Committee. Persons who are controlling shareholders and their respective associates (as defined in the SGX-ST Listing Manual) shall not be eligible to participate in the Scheme.

Madam Lin Yeju, who is the spouse of a controlling shareholder of the Company, and her respective associates (as defined in the SGX-ST Listing Manual) shall not be eligible to participate in the Scheme.

### Size of the China Yuanbang Share Option Scheme

The total number of shares over which options may be granted by the Share Option Scheme Committee pursuant to the Scheme on any date, when added to the number of shares issued and issuable and/or transferred and transferable in respect of:

(a) all options granted under the Scheme; and

(b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force,

shall not exceed 15% of the number of all issued shares (excluding treasury shares) on the day immediately preceding such date of grant.

### Exercise price

Under the Scheme, the Share Option Committee has the discretion to grant options at:

(a) a price that is equivalent to market price ("Market Price"), being the price equal to the average of the last dealt prices for a share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive market days immediately prior to the relevant date of grant ("Market Price Options"); or

(b) a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price, and the prior approval of shareholders of the Company shall have been obtained in a separate resolution ("Incentive Options").

### Exercise of options

A Market Price Option shall only be exercisable by a participant after the first anniversary of the date of grant of that Market Price Option, provided always that:

(a) in the case where such Market Price Option is granted to an employee or Executive Director of the Group, the Market Price Option shall be exercised before the tenth anniversary of the relevant date of grant; and

(b) in the case where such Market Price Option is granted to a Non-Executive Director of the Group, the Market Price Option shall be exercised before the fifth anniversary of the relevant date of grant.

An Incentive Option shall only be exercisable by a participant after the second anniversary of the date of grant of that Incentive Option, provided always that:

(a) in the case where such Incentive Option is granted to an employee or Executive Director of the Group, the Incentive Option shall be exercised before the tenth anniversary of the relevant date of grant; and

(b) in the case where such Incentive Option is granted to a Non-Executive Director of the Group, the Incentive Option shall be exercised before the fifth anniversary of the relevant date of grant.

Any unexercised options shall immediately lapse and become null, void and of no effect and the relevant participant shall have no claim whatsoever against the Company.

### Grant of options and outstanding options

During the financial year ended 30 June 2016, no option to take up the unissued shares of the Company was granted, and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company. There were no unissued shares of the Company under option at the end of the financial year ended 30 June 2016.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the year was the Company or any of its subsidiaries a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings, an interest in shares of the Company or its related corporations either on 30 June 2016, or on 21 July 2016, were as follows:

| | **Shares beneficially held by Directors** | | **Shareholdings in which Directors are deemed to have an interest** | | |
|---|---|---|---|---|---|
| | **At 1.07.2015** | **At 21.07.2016 and 30.06.2016** | **At 1.07.2015** | **At 30.06.2016** | **At 21.07.2016** |
| Lin Yeju | – | – | 358,167,000 | 358,267,000 | 358,267,000 |
| Ouyang Sheng | – | – | – | – | – |
| Zheng Shaorong | – | – | – | – | – |
| Teo Yi-Dar | – | – | – | – | – |
| Chong Soo Hoon Sean | – | – | – | – | – |
| Xie Ruihua[2] | – | – | – | – | – |

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interest of each Director of the Company in the share capital of the Company.

*Note 1:* Madam Lin is deemed to be interested in all the shares in the Company that her spouse, Mr Chen Jianfeng, is interested in. Mr Chen Jianfeng has a direct interest in 320,400,000 shares in the Company and a deemed interest in 37,867,000 shares in the Company.

*Note 2:* Mr. Xie Ruihua was appointed as an Independent Director of the Company on 1 March 2016.

## DIRECTORS' INTERESTS IN CONTRACTS

The service agreements of the Executive Directors are for a one year period and will continue thereafter year to year until terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing and save as disclosed in the financial statements, no Director of the Company has received or become entitle 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

## AUDIT COMMITTEE

The Audit Committee has reviewed the overall scope of both internal and external audits and the assistance given by Management to the auditors. The AC has also met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal controls and internal accounting controls. Further details regarding the Audit Committee are set out in the Corporate Governance Report on pages 23 to 37 of this annual report.

## AUDITORS

The auditors, BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore, have expressed their willingness to accept re-appointment. A resolution on their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board,

| | |
|---|---|
| **Lin Yeju** | **Zheng Shaorong** |
| *Non-Executive Chairman* | *Director* |

27 September 2016

# Statement by Directors

We, Lin Yeju and Zheng Shaorong, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors:

(i) the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of financial position and statement of changes in equity of the Company together with the notes thereto as set out on pages 46 to 120, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2016 and of the financial performance of the business of the Group, changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

**Lin Yeju**
*Non-Executive Chairman*

**Zheng Shaorong**
*Director*

27 September 2016

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## Financial Section

# Independent Joint Auditors' Report

**To the shareholders of China Yuanbang Property Holdings Limited**
**(incorporated in Bermuda with limited liability)**

We have audited the financial statements of China Yuanbang Property Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 120, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and the statement of changes of equity of the Company give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

**BDO LLP**
*Public Accountants and Chartered Accountants*
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

27 September 2016

**BDO Limited**
*Certified Public Accountants*
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

27 September 2016

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **602,212** | 444,864 |
| **Cost of sales** | | | |
| Cost of properties held for sale recognised as expenses and other costs | | **(528,169)** | (363,176) |
| **Gross profit** | | **74,043** | 81,688 |
| Other income and gains | 6 | **31,040** | 23,849 |
| Fair value adjustments on investment properties | 14 | **14,343** | 26,720 |
| Selling expenses | | **(21,815)** | (33,661) |
| Administrative expenses | | **(96,819)** | (100,010) |
| Other operating expenses | | **(9,051)** | (16,750) |
| **Operating loss** | 7 | **(8,259)** | (18,164) |
| Finance costs | 8 | **(1,708)** | (1,844) |
| **Loss before income tax** | | **(9,967)** | (20,008) |
| Income tax expense | 9 | **(83,285)** | (21,874) |
| **Loss for the year** | | **(93,252)** | (41,882) |
| **Other comprehensive income, net of tax** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of financial statements of foreign operations | | **288** | (384) |
| **Item that will not be reclassified subsequently to profit or loss** | | | |
| Revaluation surplus upon transfer of owner-occupied properties to investment properties | 14 | **10,446** | – |
| Deferred tax liabilities arising on revaluation of properties | 25 | **(4,735)** | – |
| **Other comprehensive income for the year** | | **5,999** | (384) |
| **Total comprehensive income for the year** | | **(87,253)** | (42,266) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(81,739)** | (26,819) |
| Non-controlling interests | | **(11,513)** | (15,063) |
| | | **(93,252)** | (41,882) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **(75,740)** | (27,203) |
| Non-controlling interests | | **(11,513)** | (15,063) |
| | | **(87,253)** | (42,266) |
| **Earnings per share for loss attributable to owners of the Company during the year (in RMB)** | 11 | | |
| – Basic and diluted | | **(1.18)** | (0.39) |

# Statements of Financial Position

as at 30 June 2016

| | Notes | Group 2016 RMB'000 | Group 2015 RMB'000 | Company 2016 RMB'000 | Company 2015 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Interests in subsidiaries | *12* | **–** | – | **134,381** | 134,381 |
| Property, plant and equipment | *13* | **69,721** | 72,646 | **–** | – |
| Investment properties | *14* | **535,607** | 397,737 | **–** | – |
| Land use rights | *15* | **10,668** | 13,710 | **–** | – |
| Deferred tax assets | *25* | **49,384** | 27,962 | **–** | – |
| | | **665,380** | 512,055 | **134,381** | 134,381 |
| **Current assets** | | | | | |
| Properties held for development | *16* | **–** | 101,793 | **–** | – |
| Properties held under development | *17* | **1,380,839** | 1,566,987 | **–** | – |
| Properties held for sale | *18* | **1,872,160** | 1,692,739 | **–** | – |
| Accounts receivable | *19* | **6,377** | – | **–** | – |
| Prepayments, deposits paid and other receivables | *20* | **664,868** | 690,848 | **1,317** | 1,317 |
| Tax recoverable | | **–** | 12,800 | – | – |
| Due from subsidiaries | *12* | **–** | – | **340,011** | 344,209 |
| Cash and bank balances | *21* | **198,352** | 296,317 | **–** | – |
| | | **4,122,596** | 4,361,484 | **341,328** | 345,526 |
| **Current liabilities** | | | | | |
| Accounts payable | *23* | **346,733** | 420,324 | **–** | – |
| Receipts in advance | *22* | **1,272,462** | 1,080,853 | **–** | – |
| Accruals, deposits received and other payables | *23* | **409,681** | 292,217 | **7,859** | 8,387 |
| Interest-bearing bank and other borrowings | *24* | **785,246** | 806,620 | **–** | – |
| Income tax payable | | **202,989** | 154,515 | **–** | – |
| | | **3,017,111** | 2,754,529 | **7,859** | 8,387 |
| **Net current assets** | | **1,105,485** | 1,606,955 | **333,469** | 337,139 |
| **Total assets less current liabilities** | | **1,770,865** | 2,119,010 | **467,850** | 471,520 |
| **Non-current liabilities** | | | | | |
| Interest-bearing bank and other borrowings | *24* | **653,509** | 912,754 | **–** | – |
| Deferred tax liabilities | *25* | **125,352** | 126,999 | **–** | – |
| | | **778,861** | 1,039,753 | **–** | – |
| **Net assets** | | **992,004** | 1,079,257 | **467,850** | 471,520 |

# Statements of Financial Position

as at 30 June 2016

| | Notes | Group 2016 RMB'000 | Group 2015 RMB'000 | Company 2016 RMB'000 | Company 2015 RMB'000 |
|---|---|---|---|---|---|
| **EQUITY** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | *26* | **133,882** | 133,882 | **133,882** | 133,882 |
| Reserves | *27* | **561,448** | 637,188 | **333,968** | 337,638 |
| | | **695,330** | 771,070 | **467,850** | 471,520 |
| **Non-controlling interests** | | **296,674** | 308,187 | **–** | – |
| **Total equity** | | **992,004** | 1,079,257 | **467,850** | 471,520 |

**Lin Yeju**
*Non-Executive Chairman*

**Zheng Shaorong**
*Director*

# Statements of Changes in Equity

for the year ended 30 June 2016

## Group

| | Equity attributable to owners of the Company | | | | | | | | | Non-controlling Interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *(note 26)* | Share premium* RMB'000 *(note 27)* | Merger reserve* RMB'000 *(note 27)* | Revaluation reserve* RMB'000 *(note 27)* | Statutory reserve* RMB'000 *(note 27)* | Translation reserve* RMB'000 *(note 27)* | Dividend proposed* RMB'000 | Retained profits* RMB'000 | Total RMB'000 | RMB'000 | RMB'000 |
| **At 1 July 2014** | 133,882 | 302,585 | 20,720 | 4,582 | 93,892 | 3,234 | 6,940 | 239,378 | 805,213 | 320,750 | 1,125,963 |
| Dividend paid | – | – | – | – | – | – | (6,940) | – | (6,940) | – | (6,940) |
| Capital contribution by non-controlling equity holders of a subsidiary | – | – | – | – | – | – | – | – | – | 2,500 | 2,500 |
| **Transactions with owners** | – | – | – | – | – | – | (6,940) | – | (6,940) | 2,500 | (4,440) |
| Loss for the year | – | – | – | – | – | – | – | (26,819) | (26,819) | (15,063) | (41,882) |
| Other comprehensive income | | | | | | | | | | | |
| – Exchange differences on translation of financial statements of foreign operations | – | – | – | – | – | (384) | – | – | (384) | – | (384) |
| **Total comprehensive income for the year** | – | – | – | – | – | (384) | – | (26,819) | (27,203) | (15,063) | (42,266) |
| **At 30 June 2015 and 1 July 2015** | **133,882** | **302,585** | **20,720** | **4,582** | **93,892** | **2,850** | **–** | **212,559** | **771,070** | **308,187** | **1,079,257** |
| Loss for the year | – | – | – | – | – | – | – | (81,739) | (81,739) | (11,513) | (93,252) |
| Other comprehensive income | | | | | | | | | | | |
| – Revaluation surplus upon transfer of owner-occupied properties to investment properties *(note 14)* | – | – | – | 10,446 | – | – | – | – | 10,446 | – | 10,446 |
| – Deferred tax liabilities arising on revaluation of properties *(note 25)* | – | – | – | (4,735) | – | – | – | – | (4,735) | – | (4,735) |
| – Exchange differences on translation of financial statements of foreign operations | – | – | – | – | – | 288 | – | – | 288 | – | 288 |
| **Total comprehensive income for the year** | – | – | – | 5,711 | – | 288 | – | (81,739) | (75,740) | (11,513) | (87,253) |
| **At 30 June 2016** | **133,882** | **302,585** | **20,720** | **10,293** | **93,892** | **3,138** | **–** | **130,820** | **695,330** | **296,674** | **992,004** |

* *These reserve accounts comprise the consolidated reserves of approximately RMB561,448,000 (2015: RMB637,188,000) in the consolidated statement of financial position.*

## Statements of Changes in Equity

for the year ended 30 June 2016

### Company

| | Share capital RMB'000 *(note 26)* | Share premium** RMB'000 *(note 27)* | Contributed surplus** RMB'000 *(note 27)* | Dividend proposed** RMB'000 | Retained profits/ (Accumulated losses)** RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 July 2014 | 133,882 | 304,474 | 35,064 | 6,940 | 3,215 | 483,575 |
| Dividend paid *(note 10)* | – | – | – | (6,940) | – | (6,940) |
| **Transactions with owners** | – | – | – | (6,940) | – | (6,940) |
| Loss for the year and total comprehensive income for the year | – | – | – | – | (5,115) | (5,115) |
| **At 30 June 2015 and 1 July 2015** | **133,882** | **304,474** | **35,064** | **–** | **(1,900)** | **471,520** |
| Loss for the year and total comprehensive income for the year | – | – | – | – | (3,670) | (3,670) |
| **At 30 June 2016** | **133,882** | **304,474** | **35,064** | **–** | **(5,570)** | **467,850** |

** *These reserve accounts comprise the Company's reserves of approximately RMB333,968,000 (2015: RMB337,638,000) in the statement of financial position of the Company.*

# Consolidated Statement of Cash Flows

for the year ended 30 June 2016

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | **(9,967)** | (20,008) |
| Adjustments for: | | | |
| Amortisation of land use rights | *7, 15* | **323** | 359 |
| Depreciation of property, plant and equipment | *7, 13* | **6,746** | 9,520 |
| Fair value adjustments on investment properties | *14* | **(14,343)** | (26,720) |
| Interest expense | *8* | **1,708** | 1,844 |
| Interest income | *6* | **(880)** | (1,194) |
| Gain on disposals of property, plant and equipment | *6, 7* | **(1,470)** | – |
| Impairment loss on accounts and other receivables | *7* | **–** | 7,730 |
| Write-down of properties held for sales | *7* | **28,869** | – |
| **Operating profit/(loss) before working capital changes** | | **10,986** | (28,469) |
| Increase in properties held for development | | **–** | (7,787) |
| Increase in properties held under development | | **(407,505)** | (510,205) |
| Decrease in properties held for sale | | **522,638** | 341,425 |
| Increase in accounts receivable | | **(6,377)** | – |
| Decrease/(Increase) in prepayments, deposits paid and other receivables | | **25,980** | (28,122) |
| (Decrease)/Increase in accounts payable | | **(73,591)** | 169,566 |
| Increase in receipts in advance | | **191,609** | 36,320 |
| Increase in accruals, deposits received and other payables | | **117,464** | 25,716 |
| **Cash generated from/(used in) operations** | | **381,204** | (1,556) |
| Income taxes paid | | **(49,815)** | (41,625) |
| Interest received | *6* | **880** | 1,194 |
| ***Net cash generated from/(used in) operating activities*** | | **332,269** | (41,987) |

# Consolidated Statement of Cash Flows

for the year ended 30 June 2016

| | Notes | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Decrease/(Increase) in restricted bank deposits | | **101,909** | (1,108) |
| Purchases of property, plant and equipment | | **(9,646)** | (17,338) |
| Proceeds from disposals of property, plant and equipment | | **2,619** | – |
| ***Net cash generated from/(used in) investing activities*** | | **94,882** | (18,446) |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(142,876)** | (169,167) |
| Capital injection by non-controlling interests | | **–** | 2,500 |
| Dividend paid | | **–** | (6,940) |
| Proceeds from bank and other borrowings | | **482,933** | 1,131,080 |
| Repayments of bank and other borrowings | | **(763,552)** | (891,493) |
| ***Net cash (used in)/generated from financing activities*** | | **(423,495)** | 65,980 |
| **Net increase in cash and cash equivalents** | | **3,656** | 5,547 |
| **Effect on foreign exchange translation** | | **288** | (384) |
| **Cash and cash equivalents at beginning of year** | | **101,927** | 96,764 |
| **Cash and cash equivalents at end of year** | | **105,871** | 101,927 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and bank balances | | **198,352** | 296,317 |
| Less: Restricted bank deposits | | **(92,481)** | (194,390) |
| | *21* | **105,871** | 101,927 |

## 1. GENERAL INFORMATION

China Yuanbang Property Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 4 December 2006. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its principal place of business is located at Suite 909, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") since 9 May 2007.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred as the "Group") are set out in note 12 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The operations of the Company and its subsidiaries are principally conducted in the People's Republic of China (the "PRC").

The financial statements on pages 46 to 120 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST.

The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the year ended 30 June 2016 were approved for issue by the board of directors (the "Directors") on 27 September 2016.

## 2. ADOPTION OF IFRSs

### (a) Adoption of new/amended IFRSs

In current year, the Group has applied, for the first time, the new or revised standards, amendments and interpretations (the "new IFRSs") issued by IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2015. The adoption of the new IFRSs had no material impact on the Group's financial statements.

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective

At the date of authorisation of these financial statements, the following new or amended IFRSs which are potentially relevant to the Group's financial statements have been issued but are not yet effective and have not been early adopted by the Group:

| | |
|---|---|
| Amendments to IAS 1 | Disclosure Initiative [1] |
| Amendments to IAS 7 | Disclosure Initiative [1] |
| Amendments to IAS 16 and 38 | Clarification of Acceptable Methods of Depreciation and Amortisation [1] |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements [1] |
| Amendments to IFRS 15 | Clarification to Revenue from Contracts with Customers [2] |
| IFRS 9 (2014) | Financial Instruments [2] |
| IFRS 15 | Revenue from Contracts with Customers [2] |
| IFRS 16 | Leases [3] |
| Annual Improvements 2012– 2014 Cycle [1] | |

[1] *Effective for annual periods beginning on or after 1 January 2016*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*

***Amendments to IAS 1 – Disclosure Initiative***

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments makes clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

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

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

***Amendments to IAS 27 – Equity Method in Separate Financial Statements***

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

***IFRS 9 (2014) – Financial Instruments***

IFRS 9 "Financial Instruments" (2014) adds to the existing IFRS 9. IFRS 9 (2014) introduces new impairment requirements for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new "expected loss" impairment model in IFRS 9 (2014) replaces the "incurred loss" model in IAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

IFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest ("SPPI"), one of the two criteria that need to be met for an asset to be measured at amortised cost.

A third measurement category has also been added for debt instruments – fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test and are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

***IFRS 15 – Revenue from Contracts with Customers***

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

***IFRS 15 – Revenue from Contracts with Customers (Continued)***

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

***IFRS 16 – Leases***

IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

The Group is in the process of making an assessment of the impact of these new or amended IFRSs upon initial application but is not yet in a position to state whether these new or amended IFRSs would have a significant impact on the Group's results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The financial statements have been prepared under the historical cost basis except for investment properties, which are stated at their fair value as explained in accounting policies below.

The consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are presented in RMB, which is the Company's functional and presentation currency and all values presented are rounded to the nearest thousand ("RMB'000") as indicated.

It should be noted that the accounting estimates and assumptions are used in preparing these financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (*note 3.3*) made up to 30 June each year.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss.

The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Basis of consolidation and business combination (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied IFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

### 3.2 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment annually, and whenever there is an indication that the unit may be impaired *(note 3.7)*.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

### 3.3 Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### 3.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses *(note 3.7)*. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated on straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

| | |
|---|---|
| Leasehold buildings | The shorter of the lease terms and 20 years |
| Leasehold improvements | The shorter of the lease terms and 10 years |
| Parks and other properties | The shorter of the lease terms and 20 years |
| Furniture, fixtures and office equipment | 5 to 10 years |
| Motor vehicles | 5 to 8 years |

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.4 Property, plant and equipment (Continued)

The assets' estimated residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Construction in progress represents geological park under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal or retirement is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

### 3.5 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time.

Fair value is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties. The carrying amounts recognised in the statement of financial position reflect the prevailing market conditions at the reporting date.

Gain or loss arising from either a change in fair value or the sale of investment properties is included in profit or loss for the period in which it arises.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Investment properties (Continued)

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under IAS 16. An increase arising from revaluation is recognised in other comprehensive income and accumulated in equity but to the extent that the increase reverses a previous impairment loss for the same property, it is recognised in profit or loss. On subsequent disposal, the revaluation surplus included in equity is transferred directly to retained profits.

For a transfer from inventories of properties to investment property that is carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

### 3.6 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

***The Group as lessee***

(i) Leases where substantially all risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.

(ii) Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line method over the lease term.

Certain leasehold interests in land are included in properties held for development, properties held under development and properties held for sale *(notes 16, 17 and 18)*.

***The Group as lessor***

Properties leased out under operating leases are included in the statement of financial position as investment properties. Initial indirect costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line-basis over the lease term. The recognition of rental income is set out in note 3.18.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and interests in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. 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 assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. A reversal of an impairment loss is recognised as income immediately.

### 3.8 Financial assets

The Group's financial assets include accounts receivable, refundable deposit paid and other receivables, due from subsidiaries and cash and bank balances, which are classified as loans and receivables, are set out below.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Financial assets (Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) granting concession to a debtor because of debtor's financial difficulty; and

(d) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs. In relation to accounts and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Financial assets (Continued)

Except for accounts and other receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. The carrying amount of accounts and other receivables is reduced through the use of an allowance account. When any part of accounts and other receivables is determined as uncollectible, it is written off against the allowance account.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

### 3.9 Properties held for development

Properties held for development represent leasehold land for development for future sale in the ordinary course of business. Cost comprises certain land held under operating lease *(note 3.6)* and other costs directly attributable to bring the leasehold land to the condition necessary for it to be ready for development. Properties held for development are included in current assets and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated selling expenses.

### 3.10 Properties held under development

Properties held under development which are held for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease *(note 3.6)* and capitalised depreciation of certain property, plant and equipment *(note 13)*, and borrowing costs capitalised *(note 3.20)* and aggregate cost of development, materials and supplies, wages, and other expenses ("development costs"). Properties held under development are stated at the lower of cost and net realisable value. Other expenses included (a) those costs that are incurred in bringing the properties held under development to their present location and condition; and (b) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

On completion, the properties are transferred to properties held for sale. Cost is calculated using the weighted average method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Properties held under development (Continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

### 3.11 Properties held for sale

In case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

### 3.12 Cash and cash equivalents

For the purpose of consolidated statement of cash flows presentation, cash and cash equivalents comprise cash at banks and in hand, demand deposits, less restricted bank deposits which are repayable on demand and form an integral part of the Group's cash arrangement.

For the purpose of statements of financial position classification, cash and bank balances comprise cash at banks and in hand and demand deposits repayable on demand with any banks or other financial institutions. Cash includes deposits denominated in foreign currencies.

### 3.13 Financial liabilities

The Group's financial liabilities include accounts payable, accruals, deposits received and other payables and interest-bearing bank and other borrowings.

Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's policy on borrowing costs *(note 3.20)*.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Financial liabilities (Continued)

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

***Accounts payable, accruals, deposits received and other payables***

These are recognised initially at fair value and subsequently measured at amortised cost, using effective interest method.

***Interest-bearing bank and other borrowings***

These are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

These are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 3.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder (or the beneficiary of the guarantee) for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.14 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

### 3.16 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

Where any Group's entities purchase the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.17 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

Exchange differences recognised in profit or loss of Group's entities separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties, rendering of services and the use by others of the Group's assets yielding interest and dividend, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from sale of properties held for sale is recognised upon the properties transfer of the significant risks and rewards of ownership of these properties to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities as receipt in advance and are not recognised as revenue.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Services revenue are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income from bank deposits is recognised on a time proportion basis by reference to the principal outstanding and the rate applicable.

Revenue from admission tickets sold is recognised when tickets are accepted and surrendered by the customer. Revenue from tickets sold for use at a future date is deferred until the tickets have been surrendered or have expired.

### 3.19 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends have been approved and declared, they are recognised as liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

The Group determines the amount of borrowing costs from the general borrowings eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

### 3.21 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws that have been enacted or substantially enacted in countries where the Company and subsidiaries operate by the end of the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.21 Accounting for income tax (Continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale. Based on the assessment of the presumption, the Group determines that their investment properties are recovered through sales and the presumption is not rebutted.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.21 Accounting for income tax (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entities; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3.22 Retirement benefits

***(a) Retirement benefits to employees***

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.22 Retirement benefits (Continued)

#### *(a) Retirement benefits to employees (Continued)*

The Group participates in the defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations in the PRC, the Group has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligation of all existing and future retired employees in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above, which is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

#### *(b) Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

#### *(c) Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group restructuring costs involve the payment of termination benefits.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

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

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group or the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Group or the Company.

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.23 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

### 3.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *(i) Estimates of current tax and deferred tax*

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### *(i) Estimates of current tax and deferred tax (Continued)*

Moreover, the Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on the management's best estimates according to the understanding of the tax rules.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

As at 30 June 2016, the carrying amount of the Group's income tax payables were approximately RMB202,989,000 (2015: RMB154,515,000). As at 30 June 2015, the carrying amount of the Group's tax recoverable was RMB12,800,000.

As at 30 June 2016, the carrying amount of deferred tax assets and deferred tax liabilities were approximately RMB49,384,000 and RMB125,352,000 (2015: RMB27,962,000 and RMB126,999,000) respectively.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### *(ii) Investment properties*

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition and appropriate capitalisation rates. Their estimates are regularly compared to actual market data and actual transactions entered by the Group. In relying on the valuation report, the Directors have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions.

The fair value measurement of investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

– Level 1: quoted prices in active markets for identical items (unadjusted);

– Level 2: observable direct and indirect inputs other than Level 1 inputs; and

– Level 3: unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detail information in relation to the fair value measurement of the investment properties, please refer to note 14.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### *(iii) Properties held for development, properties held under development and properties held for sale*

Properties held for development, properties held under development and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Provision is made when net realisable value of properties held for sale is assessed below the cost.

Management determines the net realisable value by using prevailing market data such as most recent sale transactions and valuation of the projects in its existing partially completed state of construction taking into account cost of work done, and cost to completion from gross development value assuming satisfactory completion. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the Group's properties held under development and properties held for sale as at 30 June 2016 were approximately RMB1,380,839,000 and RMB1,872,160,000 (2015: RMB1,566,987,000 and RMB1,692,739,000) respectively.

As at 30 June 2015, the carrying amount of the Group's properties held for development was approximately RMB101,793,000.

#### *(iv) Impairment of accounts and other receivables*

The Group's management assesses the collectability of accounts and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers or counterparties and the current market condition. The impairment loss on accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables or to receive the services, products and leasehold land and land use rights according to the original terms of contracts. Significant financial difficulties of the deposit holder/debtor, probability that the deposit holder/debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the deposit/receivable is impaired. Management reassesses the impairment of receivables at the reporting date.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### *(iv) Impairment of accounts and other receivables (Continued)*

The Group has not impaired any receivables (2015: RMB7,730,000) during the year ended 30 June 2016. The aggregate carrying amounts of the Group's accounts receivable and other receivables as at 30 June 2016 was approximately RMB511,280,000 (2015: RMB338,926,000).

#### *(v) Impairment of investments in subsidiaries*

The Company determines the need to make allowance for impairment of investments in subsidiaries. This estimate is based on the subsidiaries' net asset values and operating results. The Company reassesses the allowance at the reporting date.

### 4.2 Critical judgement in applying the entity's accounting policies

#### *Revenue recognition*

The Group has recognised revenue from sale of properties held for sale during the year as disclosed in note 6. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or when a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in note 3.18 is appropriate and is the current practice in the PRC.

## 5. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Company's executive directors in order to allocate resources and assess performance of the segment. For the years presented, executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in the business of sale and lease of properties for which is the basis to allocate resources and assess performance.

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are located. In the opinion of the directors, the majority of the Group's operation and centre of management are sourced from its subsidiaries in Guangzhou and Nanchang, the PRC, and that the operation base of the Group is domiciled in the PRC, as one geographical location. Therefore no analysis of geographical information is presented.

The Group's revenue from external customers is mainly sourced from the PRC. There is no independent and individual customer that contributed to 10% or more of the Group's revenue for the year ended 30 June 2016 (2015: Nil).

## 6. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Group's revenue and other income and gains is as follows:

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Revenue** | | |
| Proceeds from sale of properties held for sale | **602,212** | 444,864 |
| **Other income and gains** | | |
| Bank interest income from bank deposits | **880** | 1,194 |
| Admission ticket income | **10,100** | 2,800 |
| Rental income from investment properties *(note)* | **15,345** | 16,676 |
| Building management fee income | **2,561** | 2,599 |
| Gain on disposals of property, plant and equipment *(note 7)* | **1,470** | – |
| Others | **684** | 580 |
| | **31,040** | 23,849 |

*Note:* The Group has contingent rental income of investment properties of approximately RMB12,000 (2015: RMB14,000) for the year ended 30 June 2016. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

## 7. OPERATING LOSS

| | Group 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Operating loss is arrived at after charging/(crediting): | | |
| Auditor's remuneration | | |
| – Audit service | **822** | 871 |
| – Non-audit service | **–** | – |
| | **822** | 871 |
| Amortisation of land use rights *(note 15)* [1] | **323** | 359 |
| Cost of properties held for sale recognised as expenses [2] | | |
| – Cost of properties held for sale | **453,835** | 341,425 |
| – Write-down of properties held for sales to net realisable value | **28,869** | – |
| | **482,704** | 341,425 |
| Depreciation of property, plant and equipment *(note 13)* | **6,746** | 9,520 |
| Gain on disposals of property, plant and equipment *(note 6)* | **(1,470)** | – |
| Operating lease charges in respect of land and buildings | **1,969** | 1,739 |
| Less: amount capitalised in | | |
| – Properties held under development | **(308)** | (395) |
| – Construction in progress | **(150)** | (134) |
| | **1,511** | 1,210 |
| Direct operating expenses arising from investment properties | **717** | 533 |
| Advertising and promotion expenses | **8,615** | 14,719 |
| Commission expenses | **2,059** | 523 |
| Entertainment expenses | **9,124** | 10,341 |
| Legal and professional fees | **4,626** | 5,650 |
| Travelling expenses | **4,018** | 6,885 |
| Exchange loss/(gain), net | **76** | (25) |
| Provision for impairment of accounts receivable *(note 19)* | **–** | 45 |
| Provision for impairment of other receivables *(note 20)* | **–** | 7,685 |
| Staff costs, including directors' remuneration [3] | | |
| – Wages and salaries, allowances and benefits in kind | **45,359** | 61,488 |
| – Retirement scheme contribution | **3,054** | 4,773 |
| Less: amount capitalised in | | |
| – Properties held under development | **(6,191)** | (8,039) |
| – Construction in progress | **(1,561)** | (2,091) |
| | **40,661** | 56,131 |

## 7. OPERATING LOSS (Continued)

*Notes:*

1 Included in administrative expenses.

2 Included in cost of sales.

3 Included in administrative expenses, selling expenses and other operating expenses of approximately RMB31,208,000, RMB6,349,000 and RMB3,104,000 respectively (2015: RMB43,827,000, RMB8,906,000, and RMB3,398,000 respectively).

## 8. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Interest charges on financial liabilities carried at amortised cost: | | |
| Bank loans | **60,967** | 74,760 |
| Other loans | **81,909** | 94,407 |
| | **142,876** | 169,167 |
| Less: amount capitalised in properties held under development | **(141,168)** | (167,323) |
| | **1,708** | 1,844 |

The weighted average capitalisation rate of borrowings was 8.38% (2015: 10.46%) per annum for the year.

## 9. INCOME TAX EXPENSE

| | | Group | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Notes* | **RMB'000** | RMB'000 |
| **Current income tax – PRC** | | | |
| – Enterprise Income Tax ("EIT") | *(a)* | **26,706** | 1,693 |
| – LAT | *(b)* | **84,383** | 17,451 |
| | | **111,089** | 19,144 |
| **Deferred tax – PRC** *(note 25)* | | **(27,804)** | 2,730 |
| **Total income tax expense** | | **83,285** | 21,874 |

## 9. INCOME TAX EXPENSE (Continued)

*Notes:*

(a) EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2015: 25%).

According to the implementation rules, a reduced withholding tax rate of 10% will be imposed on dividends distributed to foreign investors of companies in the PRC, unless a lower rate applies for tax-treaty countries.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost and land use rights, borrowing costs, business tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sale of commercial properties is not eligible for such exemption.

Income tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2015: Nil).

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Loss before income tax | **(9,967)** | (20,008) |
| Tax on loss before income tax, calculated at the rate applicable to profits in the PRC | **(2,492)** | (5,002) |
| Tax effect of non-deductible expenses | **20,549** | 7,574 |
| Tax effect of non-taxable income | **(3,586)** | (6,680) |
| Provision for LAT | **84,383** | 17,451 |
| Tax effect on EIT of LAT payable | **(21,096)** | (4,363) |
| Effect of tax loss not recognised | **1,221** | 6,275 |
| Others | **4,306** | 6,619 |
| Total income tax expense | **83,285** | 21,874 |

## 10. DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 30 June 2016 and 2015.

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the loss attributable to owners of the Company of approximately RMB81,739,000 (2015: RMB26,819,000) and on 69,400,000 (2015: 69,400,000) ordinary shares in issue during the year.

The share consolidation has been held on 29 July 2015, such that every 10 existing ordinary shares of HK$0.2 each are consolidated into 1 ordinary share of HK$2 each, the weighted average number of ordinary shares was adjusted retrospectively for all periods presented.

The diluted earnings per share is the same as the basic earnings per share, as the Group has no dilutive potential shares during the current and prior years.

## 12. INTERESTS IN SUBSIDIARIES

| | Company 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Unlisted investments, at cost | **134,381** | 134,381 |

Amounts due from subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

Particulars of the subsidiaries, each of which is a limited liability company, were as follows:

| Name | Place of incorporation/ registration | Effective percentage of equity interest held by the Company 2016 | 2015 | Principal activities and principal place of business |
|---|---|---|---|---|
| **Directly held:** | | | | |
| Rich Luck Group Limited | British Virgin Islands ("BVI") | **100%** | 100% | Investment holding, Hong Kong ("HK") |
| **Indirectly held:** | | | | |
| Guangdong Yuanbang Real Estate Development Co., Ltd. * | PRC | **100%** | 100% | Property development, management and investment holding, PRC |
| Guangzhou Yuanbang Real Estate Development Co., Ltd. * | PRC | **96%** | 96% | Property development and investment holding, PRC |
| Guangzhou Changhao Real Estate Consultancy Co., Ltd. * | PRC | **60%** | 60% | Property sales and marketing and investment holding, PRC |
| Nanchang Changhao Real Estate Consultancy Co., Ltd. * | PRC | **100%** | 100% | Property sales and marketing, PRC |
| Spirit World Holdings Limited | BVI | **100%** | 100% | Investment holding, HK |
| Aqualake Holdings Limited | BVI | **51%** | 51% | Investment holding, HK |
| New Zhong Yuan (Nanchang) Real Estate Co., Ltd. ("New Zhong Yuan") * | PRC | **51%** | 51% | Property development and management, PRC |

## 12. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration | Effective percentage of equity interest held by the Company 2016 | 2015 | Principal activities and principal place of business |
|---|---|---|---|---|
| **Indirectly held:** (Continued) | | | | |
| Aqualake (HK) Group Limited | HK | **51%** | 51% | Investment holding, HK |
| Guangzhou Guangjin Real Estate Development Co., Ltd. * | PRC | **100%** | 100% | Property development, PRC |
| Wanyuan Yuanbang Resort Development Co., Ltd. ("Wanyuan Resort") * | PRC | **82%** | 82% | Resort development, PRC |
| Wanyuan Dabashan Tourism Co., Ltd. * | PRC | **82%** | 82% | Tourism development, PRC |
| Wanyuan Yuanbang Property Development Co., Ltd. * | PRC | **82%** | 82% | Property development, PRC |
| Wanyuan Mingyue Bashan Hotel Management Co., Ltd. * | PRC | **82%** | 82% | Hotel business and tourism development, PRC |
| Wanyuan Yuanbang Property Management Co., Ltd. * | PRC | **82%** | 82% | Property management, PRC |
| Wanyuan Yuanbang Modern Agricultural Development Co,. Ltd. * | PRC | **82%** | 82% | Agricultural tourism development, PRC |
| Tonghua Litong Real Estate Development Co., Ltd. ("Tonghua Litong") * | PRC | **51%** | 51% | Property development, PRC |
| Huizhou Nanhao Speaker Co., Ltd. * | PRC | **75%** | 75% | Property development, PRC |
| Huizhou The Jins Hardware Electronics Co., Ltd * | PRC | **75%** | 75% | Property development, PRC |

## 12. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration | Effective percentage of equity interest held by the Company 2016 | 2015 | Principal activities and principal place of business |
|---|---|---|---|---|
| **Indirectly held:** (Continued) | | | | |
| Huizhou Mengte Clothing Co., Ltd * | PRC | **75%** | 75% | Property development, PRC |
| Huizhou Shaoyang Family Property Co., Ltd * | PRC | **75%** | 75% | Property development, PRC |
| Weihai City Golden Harbor Real Estate Development Co., Ltd ("Weihai City Golden Harbor") * | PRC | **75%** | 75% | Property development, PRC |
| Guangzhou Guangfu Property Development Co., Ltd. * | PRC | **100%** | 100% | Property development, PRC |
| Guangzhou Yuanfu Real Estate Development Co., Ltd. * | PRC | **100%** | 100% | Property development, PRC |
| Guangzhou Yuanbang Market Operations Management Co., Ltd. * | PRC | **100%** | 100% | Property management, PRC |
| Rushan Fuyunlai Industry Co., Ltd. */** | PRC | **100%** | 100% | Tourism development, PRC |

* *The English translation of the company name is for reference only, the official name of these companies are in Chinese.*

** As at 30 June 2016, the share capital has not been fully paid.

The financial statements of the above subsidiaries for the years ended 30 June 2015 and 2016 have been audited by BDO Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation into the Group's financial statements.

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Set out below are the summarised financial information for the subsidiaries that had non-controlling interests which is material to the Group, before any elimination.

| | New Zhong Yuan | | Tonghua Litong | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Non-controlling interests percentage** | **49%** | 49% | **49%** | 49% |
| **Summarised statement of financial position** | | | | |
| **As at 30 June** | | | | |
| **Current** | | | | |
| Assets | **1,030,241** | 1,078,399 | **1,225,235** | 861,364 |
| Liabilities | **(460,594)** | (473,594) | **(1,039,715)** | (386,467) |
| **Total net current assets** | **569,647** | 604,805 | **185,520** | 474,897 |
| **Non-current** | | | | |
| Assets | **9,407** | 8,084 | **2,426** | 2,455 |
| Liabilities | **(8,703)** | (9,860) | **(100,000)** | (400,000) |
| **Total net non-current assets/(liabilities)** | **704** | (1,776) | **(97,574)** | (397,545) |
| **Net assets** | **570,351** | 603,029 | **87,946** | 77,352 |
| **Accumulated non-controlling interests** | **279,472** | 295,484 | **43,093** | 37,902 |
| **Summarised statement of comprehensive income** | | | | |
| **For the year ended 30 June** | | | | |
| Revenue | **75,637** | 77,871 | **138,794** | – |
| (Loss)/Profit before income tax | **(21,957)** | 6,519 | **12,980** | (8,597) |
| Income tax expense | **(10,721)** | (4,502) | **(2,386)** | – |
| Other comprehensive income | **–** | – | **–** | – |
| **Total comprehensive income** | **(32,678)** | 2,017 | **10,594** | (8,597) |

## 12. INTERESTS IN SUBSIDIARIES (Continued)

| | New Zhong Yuan | | Tonghua Litong | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Total comprehensive income allocated to non-controlling interests** | **(16,012)** | 988 | **5,191** | (4,213) |
| **Dividends paid to non-controlling interests** | **–** | – | **–** | – |
| **Summarised statement of cash flows** | | | | |
| **For the year ended 30 June** | | | | |
| Cash flows generated from/(used in) operating activities | **26,312** | 3,439 | **(61,649)** | (108,030) |
| Cash flows (used in)/generated from investing activities | **(28,614)** | 704 | **150** | (5,415) |
| Cash flows generated from financing activities | **–** | – | **124,190** | 115,274 |
| Net cash (outflow)/inflow | **(2,302)** | 4,143 | **62,691** | 1,829 |

## 13. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Leasehold buildings RMB'000 | Leasehold improvements RMB'000 | Parks and other properties RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2014 | | | | | | | |
| Cost | 21,155 | 25,191 | – | 9,619 | 28,314 | 18,580 | 102,859 |
| Accumulated depreciation | (3,716) | (9,533) | – | (4,211) | (20,292) | – | (37,752) |
| Net carrying amount | 17,439 | 15,658 | – | 5,408 | 8,022 | 18,580 | 65,107 |
| Year ended 30 June 2015 | | | | | | | |
| Opening net carrying amount | 17,439 | 15,658 | – | 5,408 | 8,022 | 18,580 | 65,107 |
| Additions | – | 620 | – | 692 | 2,063 | 14,335 | 17,710 |
| Transfer | – | – | 16,817 | – | – | (16,817) | – |
| Depreciation | (898) | (3,792) | (630) | (1,396) | (3,455) | – | (10,171) |
| Closing net carrying amount | 16,541 | 12,486 | 16,187 | 4,704 | 6,630 | 16,098 | 72,646 |
| At 30 June 2015 and 1 July 2015 | | | | | | | |
| Cost | 21,155 | 25,811 | 16,817 | 10,311 | 30,377 | 16,098 | 120,569 |
| Accumulated depreciation | (4,614) | (13,325) | (630) | (5,607) | (23,747) | – | (47,923) |
| Net carrying amount | 16,541 | 12,486 | 16,187 | 4,704 | 6,630 | 16,098 | 72,646 |
| **Year ended 30 June 2016** | | | | | | | |
| Opening net carrying amount | 16,541 | 12,486 | 16,187 | 4,704 | 6,630 | 16,098 | 72,646 |
| Additions | – | 181 | – | 287 | 394 | 8,784 | 9,646 |
| Disposals | – | – | – | – | (1,149) | – | (1,149) |
| Transfers *(note 14)* | (3,888) | – | 1,838 | – | – | (1,838) | (3,888) |
| Depreciation | (764) | (2,911) | (273) | (1,444) | (2,142) | – | (7,534) |
| **Closing net carrying amount** | **11,889** | **9,756** | **17,752** | **3,547** | **3,733** | **23,044** | **69,721** |
| **At 30 June 2016** | | | | | | | |
| Cost | 16,443 | 25,992 | 18,655 | 10,598 | 27,962 | 23,044 | 122,694 |
| Accumulated depreciation | (4,554) | (16,236) | (903) | (7,051) | (24,229) | – | (52,973) |
| **Net carrying amount** | **11,889** | **9,756** | **17,752** | **3,547** | **3,733** | **23,044** | **69,721** |

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold buildings of the Group are located at Guangzhou, Guangdong Province, the PRC with lease terms expiring in 2052 (2015: 2052).

At 30 June 2016 and 2015, the entire leasehold buildings of the Group were pledged as security for the bank borrowings extended to Guangdong Hongda Construction and Installation Co., Ltd. ("Hongda") and Guangdong Meihaohuang Decoration Engineering Co., Ltd. ("Meihaohuang"), contractors of the Group (2015: Hongda and Meihaohuang). Meihaohuang is also the non-controlling equity holder of Tonghua Litong.

Depreciation charges have been included in:

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Consolidated statement of financial position | | |
| – capitalised in properties held under development | **413** | 279 |
| – capitalised in construction in progress under property, plant and equipment | **375** | 372 |
| | **788** | 651 |
| Consolidated statement of comprehensive income *(note 7)* | | |
| – Selling expenses | **379** | 498 |
| – Administrative expenses | **5,864** | 8,392 |
| – Other operating expenses | **503** | 630 |
| | **6,746** | 9,520 |
| | **7,534** | 10,171 |

## 14. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Carrying amount at beginning of the year | **397,737** | 370,635 |
| Transfer from property, plant and equipment *(note 13)* | **3,888** | – |
| Transfer from land use rights *(note 15)* | **2,719** | – |
| Revaluation surplus upon transfer of owner-occupied properties to investment properties | **10,446** | – |
| Transfer from properties held for development | **106,474** | – |
| Transfer from properties held for sale | **–** | 1,440 |
| Fair value adjustments | **14,343** | 25,662 |
| Carrying amount at end of the year | **535,607** | 397,737 |

Investment properties included leasehold interests in land located in the PRC with lease terms expiring from 2052 to 2058 (2015: 2052 to 2058). For the years ended 30 June 2016 and 2015, certain investment properties of the Group were leased out to non-related parties for rental income under operating lease *(note 6)*.

At 30 June 2016, investment properties of the Group with carrying amount of approximately RMB145,475,000 (2015: RMB14,919,000) and RMB362,721,000 (2015: RMB324,369,000) were pledged to secure bank loans of the Group *(note 24(a))* and bank borrowings extended to Hongda, a contractor of the Group, respectively.

During the year ended 30 June 2016, property, plant and equipment *(note 13)* and land use rights *(note 15)* with an aggregate carrying value of approximately RMB6,607,000, and properties held for development *(note 16)* with the carrying value of approximately RMB106,474,000 (2015: properties held for sale *(note 18)* with carrying value of approximately RMB382,000) were transferred to investment properties respectively as these properties were under operating lease agreements with third parties during the year to earn rental. The aggregate fair value of these properties upon transfer to investment properties was approximately RMB148,653,000 (2015: RMB1,440,000). The total net fair value change of investment properties approximately RMB14,343,000 (2015: RMB26,720,000) was credited to profit or loss for the year ended 30 June 2016.

## 14. INVESTMENT PROPERTIES (Continued)

The fair value of the investment properties as at 30 June 2016 and 2015 was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLLS"), an independent qualified professional valuer who have the relevant experience in the location and category of properties being valued, which were based on the income approach by taking into account the net rental income derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations, size and other conditions.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Opening balance (level 3 recurring fair value) | **397,737** | 370,635 |
| Transfer from property, plant and equipment *(note 13)* | **3,888** | – |
| Transfer from land use rights *(note 15)* | **2,719** | – |
| Transfer from properties held for development | **131,600** | – |
| Transfer from properties held for sale | **–** | 1,440 |
| Change in revaluation of investment properties | **(337)** | 25,662 |
| Closing balance (level 3 recurring fair value) | **535,607** | 397,737 |
| Change in unrealised gains for the year included in profit or loss for assets held at 30 June | **14,343** | 26,720 |
| Change in unrealised gains upon the transfer of owner-occupied properties to investment properties for the year included in revaluation reserve for assets held at 30 June | **10,446** | – |

## 14. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

| Properties | Fair value hierarchy | Valuation technique | Significant unobservable inputs | Relationship of unobservable inputs to fair value | Range of unobservable inputs 2016 | 2015 |
|---|---|---|---|---|---|---|
| Commercial offices | 3 | Income approach | Reversionary yield | The higher the reversionary yield, the lower the fair value | **6.00% – 6.50%** | 6.50% |
| | | | Reversionary monthly rental income (RMB/sq.m) | The higher the reversionary monthly rental income, the higher the fair value | **70.03 – 100.47** | 63.94 – 91.34 |
| Retail units | 3 | Income approach | Reversionary yield | The higher the reversionary yield, the lower the fair value | **5.00% – 7.00%** | 5.00% – 7.00% |
| | | | Reversionary monthly rental income (RMB/sq.m) | The higher the reversionary monthly rental income, the higher the fair value | **97.43 – 535.85** | 97.43 – 561.73 |
| Industrial units | 3 | Income approach | Reversionary yield | The higher the reversionary yield, the lower the fair value | **6.50% – 7.00%** | – |
| | | | Reversionary monthly rental income (RMB/sq.m) | The higher the reversionary monthly rental income, the higher the fair value | **9.13** | – |

There was no change to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

## 15. LAND USE RIGHTS

| | Group 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **At beginning of the year** | | |
| Cost | **15,354** | 15,354 |
| Accumulated amortisation | **(1,644)** | (1,285) |
| Net carrying amount | **13,710** | 14,069 |
| **For the year ended** | | |
| Opening net carrying amount | **13,710** | 14,069 |
| Transfer to investment properties *(note 14)* | **(2,719)** | – |
| Amortisation *(note 7)* | **(323)** | (359) |
| Closing net carrying amount | **10,668** | 13,710 |
| **At end of the year** | | |
| Cost | **12,316** | 15,354 |
| Accumulated amortisation | **(1,648)** | (1,644) |
| Net carrying amount | **10,668** | 13,710 |

Land use rights represented leasehold interests in land located in the PRC with lease terms expiring from 2042 to 2072 (2015: 2042 to 2072).

At 30 June 2016 and 2015, all land use rights of the Group were pledged as security for the bank borrowings extended to Hongda and Meihaohuang, contractors of the Group.

## 16. PROPERTIES HELD FOR DEVELOPMENT

During the year ended 30 June 2016, properties held for development with a carrying value of approximately RMB106,474,000 were transferred to investment properties as these properties were under operating lease arrangements with third parties during the year to earn rental *(note 14)*.

As at 30 June 2015, properties held for development included leasehold interests in land located in the PRC with lease terms expiring in 2057.

## 17. PROPERTIES HELD UNDER DEVELOPMENT

| | Group 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Leasehold interests in land located in the PRC | **377,941** | 547,484 |
| Development costs | **662,150** | 738,967 |
| Borrowing costs capitalised | **340,748** | 280,536 |
| | **1,380,839** | 1,566,987 |

Leasehold interests in land are located in the PRC and have lease terms expiring from 2045 to 2082 (2015: 2045 to 2082).

At 30 June 2016, certain properties held under development with carrying amounts of approximately RMB18,997,000 (2015: RMB27,797,000), RMB191,679,000 (2015: RMB424,118,000) and RMB212,430,000 (2015: RMB202,229,000) were pledged to secure bank loans *(note 24(a))*, entrusted loan *(note 24(b))* and other loans *(note 24(b))* of the Group respectively.

At 30 June 2016, properties held under development amounted to approximately RMB1,134,113,000 (2015: RMB1,532,480,000) are expected to be recovered within 12 months. On completion, the properties are transferred to properties held for sale.

At 30 June 2016, certain properties held under development with a carrying amount of approximately RMB73,743,000 (2015: RMB70,702,000) were frozen by court under lawsuits *(note 23)*.

## 18. PROPERTIES HELD FOR SALE

| | Group 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Gross carrying amount | **1,935,775** | 1,727,485 |
| Less: Write down to net realisable value | **(63,615)** | (34,746) |
| Net carrying amount | **1,872,160** | 1,692,739 |

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2042 to 2081 (2015: 2042 to 2078). At 30 June 2016, the carrying value of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB377,262,000 (2015: RMB234,316,000).

## 18. PROPERTIES HELD FOR SALE (Continued)

During the year ended 30 June 2015, properties held for sale with carrying amount of approximately RMB382,000 were transferred to investment properties as these properties were under operating lease arrangements with third parties during the year to earn rental *(note 14)*.

At 30 June 2016, properties held for sale with carrying amount of approximately RMB443,575,000 (2015: RMB1,017,751,000) and RMB542,388,000 (2015: Nil) was pledged to secure bank loans *(note 24(a))* and entrusted loan *(note 24(b))* to the Group respectively.

At 30 June 2015, properties held for sales with carrying amount of approximately RMB11,099,000 was pledged to secure other loan of the Group *(note 24(b))*.

At 30 June 2016, certain properties held for sale with carrying amounts of approximately RMB84,969,000 (2015: RMB210,813,000), RMB86,109,000 (2015: RMB58,281,000) and RMB4,005,000 (2015: RMB9,493,000) were pledged as security for bank borrowings extended to Hongda, Meihaohuang, and Guangzhou Po Xin Decoration Design Co., Ltd ("Po Xin"), contractors of the Group, respectively.

As at 30 June 2016, certain properties held for sale with carrying amounts of approximately RMB41,622,000 (2015: RMB28,355,000) were pledged as security for the bank borrowings extended to a company which is related to the non-controlling equity owners of New Zhong Yuan with maximum amount approximately RMB65,000,000 (2015: RMB60,000,000).

The write down to net realisable value is determined with reference to the estimated net realisable value of certain slow-moving properties held for sale.

## 19. ACCOUNTS RECEIVABLE

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Accounts receivable | **6,422** | 45 |
| Less: Impairment losses recognised | **(45)** | (45) |
| | **6,377** | – |

Receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

## 19. ACCOUNTS RECEIVABLE (Continued)

The ageing analysis of accounts receivable that were neither individually nor collectively considered to be impaired is as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Neither past due nor impaired | **–** | – |
| Less than 90 days past due | **3,384** | – |
| 91 to 120 days past due | **1,329** | – |
| More than 120 days past due | **1,664** | – |
| | **6,377** | – |

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. Accounts receivable relate to an independent buyer for whom there was no recent history of default. Based on past credit history, the directors of the Company believed that no impairment allowance is necessary as there has not been any significant change in credit quality and the balance is still considered to be fully recoverable.

The below table reconciles the impairment loss of accounts receivable for the years ended 30 June 2016 and 2015:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| As at 1 July | **45** | – |
| Add: Provision for impairment *(note 7)* | **–** | 45 |
| As at 30 June | **45** | 45 |

The Group recognised impairment loss on accounts receivable on individual and collective assessment based on accounting policy stated in note 3.8.

The Group did not hold any collateral as security or other credit enhancements over the accounts receivable, whether determined on an individual or collective basis.

The directors of the Company considered that the fair values of accounts receivable which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception at the reporting date.

## 20. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | *Notes* | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Prepayments | *(a)* | **141,055** | 333,795 | **–** | – |
| Deposits paid | *(b)* | **18,910** | 18,127 | **–** | – |
| Other receivables | *(c)* | **512,588** | 346,611 | **1,317** | 1,317 |
| Less: Impairment loss recognised for other receivables | | **(7,685)** | (7,685) | **–** | – |
| | | **664,868** | 690,848 | **1,317** | 1,317 |

*Notes:*

(a) As at 30 June 2016, prepayments substantially represented the advances made to the subcontractors for purchase of construction materials.

(b) As at 30 June 2016, the balance represented the deposit paid of approximately RMB15,000,000 (2015: RMB15,000,000) for proposed development of certain land parcels in Conghua City, Guangdong Province. Such deposit will be fully refunded upon the commencement of development in the land parcels scheduled in late 2016.

(c) As at 30 June 2016, other receivables included the amounts of approximately RMB264,382,000 (2015: RMB264,524,000) due from certain companies which are related to the non-controlling equity owners of New Zhong Yuan. The balances are interest-free, repayable on demand and secured by the equity interest in New Zhong Yuan held by the non-controlling equity owners except for the amount due from the non-controlling equity owners with carrying amount of RMB10,283,000 (2015: RMB10,424,000) as at 30 June 2016 which bears fixed interest rate of 16.96% (2015: 16.96%) per annum and repayable on demand (2015: on or before 11 September 2015).

Except for the above, other receivables with carrying amount of approximately RMB206,756,000 (2015: RMB59,315,000) was unsecured, non-interest bearing and repayable on demand and/or to be set off against construction costs.

The other receivables that were neither past due nor impaired related to counterparties for which there were no recent history of default.

## 20. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES (Continued)

*Notes:* (Continued)

(d) The below table reconciles the impairment loss of other receivables for the years ended 30 June 2016 and 2015:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | *Notes* | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| As at 1 July | | **7,685** | – | **–** | – |
| Add: Provision for impairment loss *(note 7)* | *(i, ii)* | **–** | 7,685 | **–** | – |
| As at 30 June | | **7,685** | 7,685 | **–** | – |

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis and recognises the impairment loss on receivables based on the accounting policy stated in note 3.8.

At 30 June 2016, there was impairment loss on other receivables amounting to approximately RMB7,685,000. The Group performed an assessment and concluded the chance of recovering the receivables is low such that full impairment recognised should not be reversed.

(i) Chengdu Hui Fu Investment Co., Ltd. ("CHF") is former subsidiary of the Group, the Group disposed its entire equity interests in CHF of 56% at a consideration of RMB20,000,000, of which RMB16,000,000 was settled immediately after the disposal and the remaining RMB4,000,000 was recorded as sales proceeds receivable. The receivable was outstanding since the completion of disposal in 2012 and after the further assessment made by the management of the Group which was based on the discussion with Mr. He Qing, the independent third party purchaser of CHF, it was concluded that the purchaser had tight cashflow in the coming future and it would not be able to repay the Group the outstanding amount. In view of that, full provision for impairment of RMB4,000,000 was made by the management.

(ii) The impairment was arisen from deposits (RMB3,685,000) paid to agents namely Huizhou Luo Fu Shan Yancheng Ecological Tourism Development Co., Ltd.（惠州市罗浮山燕城生态旅游开发有限公司）and Hubei Dushan Construction Engineering Co., Ltd.（湖北独山建筑工程有限公司）(the "Agents") by which the Group engaged the Agents in the view to obtain land banks at Huizhou during 2012.

In late 2013, the Group was informed by the Agents that the probability to obtain land banks in Huizhou was low and the Group had ceased the search for land banks and requested for refund of the amount. The Group had negotiated with the Agents on the refund of the balance and the management assessed that the agents may not be able to settle the full amount by considering their financial difficulties. In view of that, full provision for impairment was made.

The carrying amounts of other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short time scale, such that the time value of money is not significant.

## 21. CASH AND BANK BALANCES

| | | Group | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Notes* | **RMB'000** | RMB'000 |
| Cash and bank balances | *(a)* | **198,352** | 296,317 |
| Less: | | | |
| Deposits pledged against banking facilities granted to the mortgages | *(b)* | **(12,411)** | (10,661) |
| Deposits restricted for construction work | *(c)* | **(4,938)** | (10,353) |
| Deposits restricted for bank and other loans | *(d)* | **(69,835)** | (168,095) |
| Deposits restricted for acquisition of land | | **(5,297)** | (5,281) |
| | | **(92,481)** | (194,390) |
| Cash and cash equivalents for the purpose of the consolidated statement of cash flows | | **105,871** | 101,927 |

*Notes:*

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(b) The deposits were pledged to certain banks as securities in the PRC as detailed in note 35. These banks provided mortgage loans to purchasers for acquisition of properties from the Group. The pledge will last for the period from the date of draw-down of mortgage loans to the date when the individual building ownership certificates are granted to the property purchasers. Such charges will be released upon the certificates are granted to the property purchasers.

(c) At 30 June 2016, the bank deposits were attributed by a subsidiary of the Group, New Zhong Yuan with the amount approximately of RMB4,938,000 (2015: RMB4,938,000) for the Aqua Lake Grand City project. At 30 June 2015, the bank deposits were also attributed by another subsidiary of the Group, Tonghua Litong with the amount approximately RMB5,415,000 for the Hou De Zai Wu project and the restricted deposit was released upon the completion of Phase I of the project.

(d) At 30 June 2016, the bank deposits included an amount of approximately RMB69,835,000 (2015: RMB168,095,000) with floating interest rate ranging from 0.08% to 0.30% (2015: 0.08% to 0.45%) per annum was pledged against bank and other loans of approximately RMB422,100,000 (2015: Nil) and RMB500,000,000 (2015: RMB520,000,000) *(note 24(a))* respectively. The pledge will last for the period from the date of draw down of secured bank and other loans to the date when the bank and other loans are fully settled which is not later than February 2018 (2015: July 2017).

At 30 June 2016, the Group had deposits and cash denominated in RMB amount to approximately RMB197,473,000 (2015: RMB290,876,000), which were deposited with the banks in the PRC or held in hand. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

## 22. RECEIPTS IN ADVANCE

Receipts in advance represented instalments of sale proceeds received from the buyers in connection with the Group's pre-sale of properties.

## 23. ACCOUNTS PAYABLE, ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Accounts payables | **346,733** | 420,324 | **–** | – |
| Accruals | **28,161** | 30,355 | **7,859** | 8,387 |
| Refundable deposits made by property purchasers | **98,848** | 69,015 | **–** | – |
| Other payables *(note)* | **282,672** | 192,847 | **–** | – |
| | **409,681** | 292,217 | **7,859** | 8,387 |

*Note:*

As at 30 June 2016, other payables included the amounts of approximately RMB115,558,000 (2015: RMB106,623,000) due to the senior management and non-controlling equity owners of Tonghua Litong. The balances are interest-free, unsecured, repayable on demand.

As at 30 June 2016, other payables included the amount of approximately RMB20,401,000 (2015: RMB12,138,000) representing the accruals made for the settlement of the legal actions against the Group. The Group was made a defendant in lawsuits brought by three (2015: one) subcontractors of the Group's property development project (the "Plaintiffs"), in respect of claim disputes between the Group and the Plaintiffs (the "Petition"). It was alleged in the Petition, inter alia, that the Group still had an aggregate outstanding payment of RMB20,401,000 (2015: RMB12,138,000) (the "Claims") to the Plaintiffs in respect of the extra costs incurred for previous construction contracts between the Plaintiffs and the Group. On application of the Plaintiffs petitioned, total 120 (2015: 121) residential units of property held under development *(note 17)* amounted to approximately RMB73,743,000 (2015: RMB70,702,000), were frozen by the court until the Group settle the Claims, together with interest and relevant costs.

As at 30 June 2016, other payables included the amount of approximately RMB40,000,000, of which approximately RMB27,000,000 representing the consideration received from an independent third party relating to the disposal of its 25% equity interest in Wanyuan Resort ("Disposal") in December 2015. Up to the date of this report, the transaction was not yet completed due to certain conditions have not been fulfilled. Details of the Disposal are set out in an announcement of the Company dated 28 December 2015. The remaining balance of approximately RMB13,000,000 are interest-free, unsecured, repayable on demand.

At 30 June 2016, other payables of the Group were unsecured, interest-free and repayable on demand.

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | | Group | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Notes* | **RMB'000** | RMB'000 |
| Bank loans – secured | *(a)* | **537,508** | 787,000 |
| Other loans – secured | *(b)* | **526,000** | 438,000 |
| Other loans – unsecured | *(c)* | **375,247** | 494,374 |
| **Total bank and other borrowings** | | **1,438,755** | 1,719,374 |

The analysis of the carrying amount of the bank and other loans is as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Bank loans repayable | | |
| – within one year | **18,000** | 387,000 |
| – in the second to fifth year | **519,508** | 400,000 |
| | **537,508** | 787,000 |
| Other loans repayable | | |
| – within one year | **767,246** | 419,620 |
| – in the second to fifth year | **134,001** | 512,754 |
| | **901,247** | 932,374 |
| **Total bank and other borrowings** | **1,438,755** | 1,719,374 |
| Less: Portion due within one year included under current liabilities | **(785,246)** | (806,620) |
| **Non-current portion included under non-current liabilities** | **653,509** | 912,754 |

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) As at 30 June 2016, the Group's bank loans are secured by the pledge of the Group's investment properties of approximately RMB145,475,000 (2015: RMB14,919,000) *(note 14)*, properties held under development of approximately RMB18,997,000 (2015: RMB27,797,000) *(note 17)*, properties held for sale of approximately RMB443,575,000 (2015: RMB1,017,751,000) *(note 18)*, and bank deposits of approximately RMB7,685,000 (2015: RMB168,095,000) *(note 21)*.

As at 30 June 2015, the Group's bank loans are also secured by the pledge of the Group's properties held for development of approximately RMB101,793,000 *(note 16)*.

As at 30 June 2016, the Group's bank loans are denominated in RMB and an amount of RMB18,000,000 (2015: RMB387,000,000) is repayable in full no later than 20 March 2017 (2015: 29 March 2016) and bear interests at certain percentage above the benchmark lending rate of People's Bank of China ("PBOC") per annum. The effective interest rate was ranging from 4.62% to 11.52% (2015: from 6.04% to 10.88%) per annum.

Subsequent to the reporting date, the Group entered into loan facility agreement of RMB175,000,000, which bears fixed interest rate of 11.50% per annum and expires in 2018. The loan was wholly drawn up to the date of this report.

(b) On 12 August 2014, one of the PRC subsidiaries, Tonghua Litong entered into an entrusted loan agreement of RMB400,000,000 with a financial institution in the PRC, which the loan bears fixed interest rate of 10.50% per annum, and expires on 11 August 2016. During the year ended 30 June 2016, Tonghua Litong entered another loan agreement with the same financial institution of RMB100,000,000 which bore interest rates of 11.50% per annum, and expires on 10 August 2017.

The loans are secured by (i) the properties held under development, properties held of sales and bank deposit of Tonghua Litong; (ii) guarantees by the Group and the owner of non-controlling interests of Tonghua Litong. As at 30 June 2016, the properties held for sales, properties held under development and bank deposit of Tonghua Litong with net carrying amounts of approximately RMB543,388,000 *(note 18),* RMB191,679,000 *(note 17)* and RMB62,150,000 *(note 21)* (2015: properties held under development with carrying amount of approximately RMB424,118,000 *(note17)*) was pledged to secure the entrusted loan respectively.

On 11 August 2016, Tonghua Litong has renewed the loan agreement of RMB160,000,000 which bears fixed interest rate of 11.50% per annum and expires on 10 August 2017, and settled the remaining outstanding principal with accrued interest of approximately RMB242,520,000.

As at 30 June 2016, the Group's other loans amount RMB26,000,000 is repayable on 24 December 2016 (2015: RMB38,000,000) and bore the interest rates at certain percentage above the benchmark lending rate of PBOC, the effective interest rate was ranging from 8.10% to 10.20% (2015: from 8.50% to 10.20%) per annum. The loans were secured by the properties held under development with carrying amount of approximately RMB212,430,000 *(note 17)* (2015: properties held under development and properties held for sales with carrying amounts of approximately RMB202,229,000 *(note 17)* and RMB11,099,000 *(note 18)*).

As at 30 June 2016, the Group's secured other loans are denominated in RMB (2015: RMB).

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(c) Except for the amount of approximately RMB19,001,000 (2015: RMB16,754,000) which are denominated in Hong Kong Dollars ("HK$") and bear fixed interest rate of 9.71% (2015: 9.71%) per annum, other loans are denominated in RMB with interest rates at certain percentage above the benchmark lending rate of PBOC, the interest rate was ranging from 6.09% to 8.50% (2015: 7.14% to 11.20%) per annum as at 30 June 2016. The other loans under current portion are repayable from July 2016 to June 2017 (2015: July 2015 to June 2016). The other loans under non-current portion are repayable after 12 months to 19 (2015: 24) months from the year ended 30 June 2016.

## 25. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principle taxation rate of 25% (2015: 25%) for the year.

The analysis of deferred tax asset assets/(liabilities) is as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Deferred tax assets, expected to be realised: | | |
| After 12 months | **33,544** | 17,294 |
| Within 12 months | **15,840** | 10,668 |
| | **49,384** | 27,962 |
| Deferred tax liabilities to be settled after more than 12 months | **(125,352)** | (126,999) |
| Deferred tax liabilities, net | **(75,968)** | (99,037) |

## 25. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

The following are the major deferred tax (liabilities)/assets recognised by the Group and the movements thereon during the year.

| | Deferred tax liabilities | | | Deferred tax assets | | | |
|---|---|---|---|---|---|---|---|
| | Revaluation of properties held for/under development RMB'000 | Revaluation of investment properties RMB'000 | Subtotal RMB'000 | LAT RMB'000 | Tax losses RMB'000 | Subtotal RMB'000 | Total RMB'000 |
| At 1 July 2014 | (42,573) | (84,488) | (127,061) | 22,290 | 8,464 | 30,754 | (96,307) |
| Credited/(Charged) to profit or loss *(note 9)* | 8,389 | (8,327) | 62 | (8,500) | 5,708 | (2,792) | (2,730) |
| At 30 June 2015 and 1 July 2015 | (34,184) | (92,815) | (126,999) | 13,790 | 14,172 | 27,962 | (99,037) |
| Credited to profit or loss *(note 9)* | 3,846 | 2,536 | 6,382 | 16,617 | 4,805 | 21,422 | 27,804 |
| Upon the transfer of properties held for development to investment properties | 15,054 | (15,054) | – | – | – | – | – |
| Recognised in revaluation reserve | – | (4,735) | (4,735) | – | – | – | (4,735) |
| **At 30 June 2016** | **(15,284)** | **(110,068)** | **(125,352)** | **30,407** | **18,977** | **49,384** | **(75,968)** |

As at 30 June 2016, the directors anticipated that there would be a substantial amount of revenue recognised in the next financial year as some of the property development projects held by the Group were in the final stage of construction as at the reporting date and it would be ready for delivery upon the completion. The directors expected that it is probable that sufficient taxable profit of its PRC subsidiaries will be available to allow the benefit of the tax losses of approximately RMB75,906,000 (2015: RMB56,688,000) to be utilised. The deferred tax assets of these tax losses of approximately RMB18,977,000 (2015: RMB14,172,000) have been recognised accordingly. Deferred tax assets have not been recognised in respect of the estimated unused tax losses as there were incurred by the subsidiaries that have been loss-making for some time. These estimated unused tax losses will expire for five years from the reporting date.

At the reporting date, the aggregate amount of temporary difference associated with undistributed earnings of foreign owned subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB3,263,000 (2015: RMB3,431,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

## 26. SHARE CAPITAL

Movement of share capital of the Company is summarised below:

| | Number of shares '000 | Amount RMB'000 |
|---|---|---|
| **Authorised:** | | |
| At 1 July 2014, 30 June 2015 and 1 July 2015, ordinary shares of HK$0.20 each | 3,000,000 | 588,812 |
| Share condsolidation *(note)* | (2,700,000) | – |
| At 30 June 2016, ordinary share of HK$2 each | 300,000 | 588,812 |
| **Issued and fully paid:** | | |
| At 1 July 2014, 30 June 2015 and 1 July 2015, ordinary shares of HK$0.20 each | 694,000 | 133,882 |
| Share consolidation *(note)* | (624,600) | – |
| At 30 June 2016, ordinary share of HK$2 each | 69,400 | 133,882 |

*Note:* As to comply with the minimum trading price requirement introduced by the Monetary Authority of Singapore and the Singapore Exchange Limited, the Board has proposed the share consolidation and announced that the share consolidation has been completed on 29 July 2015, every 10 ordinary shares with a par value of HK$0.2 each in the authorised and issue capital of the Company have been consolidated into 1 ordinary share with a par value of HK$2 each. Details of the share consolidation are set out in an announcement of the Company dated 29 July 2015.

## 27. RESERVES

### Share premium

The share premium account of the Group/Company represented the premium arising from the issue of shares of the Company at a premium. Under the bye-laws of the Company, the share premium account is not distributable.

### Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the restructuring exercise to rationalise the structure of the Group in the preparation for the initial public offering of the Company's shares on the SGX-ST on 9 May 2007 ("Restructuring Exercise"). Details of Restructuring Exercise were set out in the Company's prospectus dated 26 April 2007.

### Contributed surplus

The contributed surplus of the Company represents the difference between the net tangible asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

### Statutory reserve

The statutory reserve represents the appropriation of profits retained by the PRC subsidiaries. In accordance with PRC accounting standards and regulations and the respective articles of association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount not less than 10% of profit after income tax each year to the statutory reserve, until the balance of the statutory reserve reaches 50% of the registered capital of the PRC subsidiaries. The transfer to this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

## 27. RESERVES (Continued)

### Revaluation reserve

Revaluation reserve of the Group represents the difference between the carrying value and fair value of property when an owner-occupied property becomes an investment property which will be carried at fair value.

### Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from that of the Group's presentation currency which is RMB and non-distributable.

## 28. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The capital structure of the Group consists of debts, which mainly includes accounts and other payables and bank and other borrowings disclosed in notes 23 and 24, respectively, cash and bank balances and total equity, comprising equity attributable to owners of the Company and non-controlling interests.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

## 28. CAPITAL MANAGEMENT (Continued)

No changes were made in the objectives, policies or processes during the current and previous years. The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt. The net debts-to-equity ratio at 30 June 2016 and 2015 were as follows:

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Current liabilities** | | |
| Accounts payable | **346,733** | 420,324 |
| Accruals, deposits received and other payables | **409,681** | 292,217 |
| Interest-bearing bank and other borrowings | **785,246** | 806,620 |
| | **1,541,660** | 1,519,161 |
| **Non-current liabilities** | | |
| Interest-bearing bank and other borrowings | **653,509** | 912,754 |
| **Total debts** | **2,195,169** | 2,431,915 |
| Less: Cash and bank balances | **(198,352)** | (296,317) |
| **Net debts** | **1,996,817** | 2,135,598 |
| **Total equity** | **992,004** | 1,079,257 |
| **Net debts to equity ratio** | **201.29%** | 197.88% |

Except as disclosed in note 27 on statutory reserves, the Group is not subject to any other externally imposed capital requirements for the years ended 30 June 2016 and 2015.

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transaction

During the year ended 30 June 2016, certain properties held under development with net carrying amount of approximately RMB730,928,000 (2015: RMB1,064,879,000) were transferred to properties held for sale.

## 30. CAPITAL COMMITMENTS

At the reporting date, the Group had the following outstanding commitments:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Contracted but not provided for in respect of: | | |
| – Construction in progress | **3,058** | 2,624 |
| – Properties held under development | **1,315,891** | 1,123,527 |

The Company did not have any commitments as at 30 June 2016 and 2015.

## 31. OPERATING LEASE ARRANGEMENTS

At the reporting date, the Group had the following operating lease arrangements:

### As lessor

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its properties as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Not later than one year | **16,529** | 16,719 |
| Later than one year but not later than five years | **16,274** | 17,907 |
| Later than five years | **264** | – |
| | **33,067** | 34,626 |

## 31. OPERATING LEASE ARRANGEMENTS (Continued)

### As lessor (Continued)

The Group leases out its certain properties under operating lease arrangements which run for initial periods of one to six years (2015: two to five years), without an option to renew the lease terms at the expiry date.

Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

### As lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Not later than one year | **1,878** | 2,367 |
| Later than one year but not later than five years | **1,055** | 2,927 |
| | **2,933** | 5,294 |

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to three years (2015: one to five years), with an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company did not have any lease arrangements as lessee or lessor as at 30 June 2016 (2015: Nil).

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has well established risk management policies and guidelines. Moreover, the directors will meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the directors consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 30 June 2016, the financial assets of the Group comprise accounts receivable, refundable deposits paid and other receivables and cash and bank balances. The financial liabilities of the Group comprise accounts payable, accruals, deposits received and other payables and bank and other borrowings.

### (i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises primarily from deposits at banks and bank and other borrowings which bore interests at fixed and floating interest rates. Bank and other borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and repayment terms of the borrowings outstanding at the end of the reporting period are disclosed in note 24.

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior year and are considered to be effective.

***Sensitivity Analysis***

At 30 June 2016, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year by approximately RMB38,000 (2015: RMB21,000). The assumed changes have no impact on the Group's other components of equity.

The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (i) Interest rate risk (Continued)

***Sensitivity Analysis (Continued)***

The calculation is based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis for the year ended 30 June 2015 has been prepared on the same basis.

The Company does not have any exposure to interest rate risk at the reporting date.

### (ii) Foreign currency risk

Most of the Group's transactions are carried out in RMB which is the functional currency of most of the group entities. Exposure to currency exchange rates arises from certain of the Group's cash and bank balances denominated in HK$ and Singapore Dollar ("SG$"); while certain other borrowings of the Group are denominated in HK$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposure regularly and does not consider its foreign exchange risk to be significant.

***Foreign currency risk exposure***

The following table details the Group's exposure at the reporting date to foreign currency risk from the bank balances and other borrowings denominated in a currency other than the functional currency of the Company and its subsidiaries.

| | **Express in RMB'000** | | | |
|---|---|---|---|---|
| | **2016** | | 2015 | |
| | **HK$** | **SG$** | HK$ | SG$ |
| Bank balances | **882** | **6** | 5,318 | 5 |
| Other borrowings | **(19,001)** | **–** | (16,754) | – |
| Overall net exposure | **(18,119)** | **6** | (11,436) | 5 |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (ii) Foreign currency risk (Continued)

***Sensitivity Analysis***

The following table indicates the approximate change in the Group's loss for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the reporting date. The assumed changes have no impact on the Group's other components of equity.

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Increase/ (Decrease) in foreign exchange rates** | **Effect on loss for the year RMB'000** | Increase/ (Decrease) in foreign exchange rates | Effect on loss for the year RMB'000 |
| HK$ | **+5%** | **(906)** | +5% | (572) |
| | **–5%** | **906** | –5% | 572 |
| SG$ | **+5%** | **1** | +5% | 1 |
| | **–5%** | **(1)** | –5% | (1) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting dates and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

The Company is not exposed to any foreign currency risk at the reporting date.

### (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets. The Group's credit risk is primarily attributable to accounts and other receivables and cash and bank balances. The management has a credit policy and the exposure to credit risk is monitored on an ongoing basis.

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iii) Credit risk (Continued)

Except for certain other receivables secured by the equity interest in New Zhong Yuan *(note 20c)*, none of the Group's remaining financial assets are secured by collateral or other credit enhancements.

The Group performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectability of all receivables.

The Group's bank balances are mainly deposits with state-owned banks in the PRC and major banks in Hong Kong.

At the end of reporting period, the Group had accounts receivable *(note 19)* and receivables due from certain companies related to the non-controlling equity owners of New Zhong Yuan *(note 20(c))* amounting to RMB6,377,000 (2015: Nil) and RMB264,382,000 (2015: RMB264,524,000) respectively, representing 52.16% (2015: 76.27%) of total gross accounts and other receivables. Except for these receivables, there was no concentration of credit risk.

The Company's credit risk is primarily attributable to amounts due from subsidiaries.

***Financial guarantee***

The principal risk to which the Group is exposed to is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. The maximum exposure to credit risk in respect of these financial guarantees at the reporting date is disclosed in note 35.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's future cash flows.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iv) Liquidity risk

The Group's objective is to ensure that it has adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

As at 30 June 2016 and 2015, the remaining contractual maturities of the Group's financial liabilities which are based on undiscounted cash flows are summarised below:

**Group**

| | Carrying amount RMB'000 | Total contractual undiscounted cash flows RMB'000 | On demand RMB'000 | Less than 3 months RMB'000 | 3 to less than 12 months RMB'000 | Over 1 year RMB'000 |
|---|---|---|---|---|---|---|
| **At 30 June 2016** | | | | | | |
| – Accounts payable | **346,733** | **346,733** | **234,308** | **112,425** | **–** | **–** |
| – Accruals, deposits received and other payables | **409,681** | **409,681** | **409,681** | **–** | **–** | **–** |
| – Interest-bearing bank and other borrowings | **1,438,755** | **1,558,820** | **–** | **535,370** | **337,888** | **685,562** |
| | **2,195,169** | **2,315,234** | **643,989** | **647,795** | **337,888** | **685,562** |
| – Financial guarantee issued Maximum amount guaranteed | **–** | **955,901** | **955,901** | **–** | **–** | **–** |
| | **2,195,169** | **3,271,135** | **1,599,890** | **647,795** | **337,888** | **682,562** |
| **At 30 June 2015** | | | | | | |
| – Accounts payable | **420,324** | **420,324** | **180,965** | **239,359** | **–** | **–** |
| – Accruals, deposits received and other payables | **292,217** | **292,217** | **292,217** | **–** | **–** | **–** |
| – Interest-bearing bank and other borrowings | **1,719,374** | **1,972,314** | **–** | **211,169** | **773,943** | **987,202** |
| | **2,431,915** | **2,684,855** | **473,182** | **450,528** | **773,943** | **987,202** |
| – Financial guarantee issued Maximum amount guaranteed | **–** | **584,330** | **584,330** | **–** | **–** | **–** |
| | **2,431,915** | **3,269,185** | **1,057,512** | **450,528** | **773,943** | **987,202** |

The Group has not recognised in these financial statements the corporate guarantees issued for the facilities issued as disclosed in note 35. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if these amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement *(note 32(iii))*. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffer credit losses.

At 30 June 2016 and 2015, the Company held no material financial liabilities and the Company ensure that it maintains sufficient financial support from Group's subsidiaries to meet its liquidity requirements.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iv) Liquidity risk (Continued)

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### (v) Fair value

The fair values of the Group's financial assets and financial liabilities at amortised costs are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of interest-bearing bank and other borrowings are not materially different from their carrying amounts at the reporting date.

At 30 June 2016, no financial assets and financial liabilities are measured at fair value in the statements of financial position (2015: Nil).

## 33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2016 are categorised as follows. See notes 3.8 and 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Financial assets** | | | | |
| Loans and receivables | | | | |
| – Accounts receivable, refundable deposits paid and other receivables | **530,190** | 357,053 | **1,317** | 1,317 |
| – Due from subsidiaries | **–** | – | **340,011** | 344,209 |
| Cash and bank balances | **198,352** | 296,317 | **–** | – |
| | **728,542** | 653,370 | **341,328** | 345,526 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost | | | | |
| Accounts payable, accruals, deposits received and other payables | **756,414** | 712,541 | **7,859** | 8,387 |
| Interest-bearing bank and other borrowings | **1,438,755** | 1,719,374 | **–** | – |
| | **2,195,169** | 2,431,915 | **7,859** | 8,387 |

## 34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the significant related party transactions as follows:

(a) The Group has provided the collaterals comprising property, plant and equipment *(note 13)*, investment properties *(note 14)*, land use rights *(note 15)* and properties held for sale *(note 18)* in an aggregate amount of approximately RMB110,830,000 (2015: RMB119,539,000) to secure the bank borrowings extended to Meihaohuang, the non-controlling equity holder of Tonghua Litong.

(b) Details of the balances with related parties at the reporting date are included in notes 20(c) and 23 to the financial statements. None of the related parties' receivables has been past due nor impaired as at 30 June 2016 and 2015.

### Compensation of key management personnel of the Group:

Included in staff costs are key management personnel compensation of the Group and the Company (including directors' emoluments) during the financial year as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Directors' emoluments** | | |
| – Director's fee | **600** | 598 |
| – Salaries and wages, allowances and benefits in kind | **1,233** | 3,065 |
| – Retirement scheme contributions | **45** | 50 |
| | **1,878** | 3,713 |
| **Key management personnel** | | |
| – Salaries and wages, allowances and benefits in kind | **1,496** | 1,489 |
| – Retirement scheme contributions | **46** | 48 |
| | **1,542** | 1,537 |

## 35. FINANCIAL GUARANTEE CONTRACTS – CONTINGENT LIABILITIES

As at the reporting date, the Group has issued the following guarantees:

(a) The Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of repayments. The outstanding guarantees amounted to approximately RMB599,155,000 (2015: RMB392,830,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. These real estate ownership certificates would generally be issued within two years after the purchasers take possession of the relevant properties. No provision for the Group's obligation under the guarantees has been made as the Directors considered that it was not probable that the repayments of the loans would be in default. Also, the Directors did not consider it is probable that the Group will sustain a loss under these guarantees during the year as the individual real estate owner certificates have not been issued to the respective buyers yet. In case of defaults, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The Directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks.

(b) The Group had given financial guarantee to bank for banking facilities granted to Hongda, Meihaohuang and Po Xin, contractors of the Group, of maximum amount approximately RMB356,746,000 (2015: RMB160,000,000). During the year ended 30 June 2016, the financial guarantee to bank for banking facilities granted to Guangdong Yuanbang Property Management Co., Ltd, a Group's service provider, of maximum amount approximately RMB31,500,000 was released upon the banking facilities expired.

    Assets pledged to secure the above banking facilities are disclosed in notes 13 to 15 and 18.

In the opinion of the Directors, it is unlikely that a claim will be made against the Group and no cash outflow under the financial guarantee contracts at the reporting date, the financial impact arising from the above guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

## 36. CONTINGENT LIABILITIES

In relation to one of the Group's property development projects, the subcontractor has taken legal actions against the Group with regards to extra costs incurred in the project. The Group disputed the balance of payment and is intending to defend itself against any such actions by lodging an appeal. Up to the date of this report, there was no final decision made by the court. The Directors, after taking the legal advice into consideration, were of the view that it was not probable nor remote for the court to adjudicate the claim made against the Group, and the compensation, if any, is unlikely to exceed RMB1,700,000. No provision for the claim has been recognised in these financial statements. The legal case is expected to be finalised in the year 2016.

# Shareholders' Information

## STATISTIC OF SHAREHOLDINGS AS AT 16 SEPTEMBER 2016

| | | |
|---|---|---|
| Authorised share capital | : | HK$600,000,000 |
| Issued and fully paid-up capital | : | HK$138,800,000 |
| Class of shares | : | 69,400,000 Ordinary shares of HK$2.00 each |
| Voting rights | : | One vote per share |

## STATISTICS OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 1 | 0.05 | 10 | 0.00 |
| 100 – 1,000 | 1,121 | 58.69 | 532,060 | 0.77 |
| 1,001 – 10,000 | 658 | 34.45 | 2,390,780 | 3.44 |
| 10,001 – 1,000,000 | 124 | 6.49 | 9,733,490 | 14.03 |
| 1,000,001 and above | 6 | 0.32 | 56,743,660 | 81.76 |
| **Total** | **1,910** | **100.00** | **69,400,000** | **100.00** |

## TREASURY SHARES

Pursuant to Rule 1207(9)(f) of the listing manual of the SGX-ST, the Company does not hold any treasury shares.

## TWENTY LARGEST SHAREHOLDERS AS AT 16 SEPTEMBER 2016

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | CHEN JIANFENG | 32,040,000 | 46.17 |
| 2 | PROVEN CHOICE GROUP LIMITED | 12,960,000 | 18.68 |
| 3 | DBS VICKERS SECURITIES (S) PTE LTD | 4,112,560 | 5.93 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 2,827,900 | 4.08 |
| 5 | OCBC SECURITIES PRIVATE LTD | 2,516,000 | 3.63 |
| 6 | LI SIU LING | 2,287,200 | 3.30 |
| 7 | LAU WEI PENG | 681,320 | 0.98 |
| 8 | XIANG KUI | 631,000 | 0.91 |
| 9 | HONG LEONG FINANCE NOMINEES PTE LTD | 616,500 | 0.89 |
| 10 | HSBC (SINGAPORE) NOMINEES PTE LTD | 531,600 | 0.77 |
| 11 | NG SENG CHOO | 450,000 | 0.65 |
| 12 | RAFFLES NOMINEES (PTE) LTD | 443,520 | 0.64 |
| 13 | CHOO KIM HIONG | 412,900 | 0.59 |
| 14 | 2G CAPITAL PTE LTD | 364,300 | 0.52 |
| 15 | ANG PENG HUAN | 245,700 | 0.35 |
| 16 | DBS NOMINEES PTE LTD | 230,590 | 0.33 |
| 17 | UOB KAY HIAN PTE LTD | 204,700 | 0.29 |
| 18 | ESW CAPITAL MARKETS PTE LTD | 204,000 | 0.29 |
| 19 | KWAN CHEE SENG | 204,000 | 0.29 |
| 20 | NG CHUEN GUAN | 204,000 | 0.29 |
| | | **62,167,790** | **89.58** |

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| Name | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Chen Jianfeng | 32,040,000 | 46.17 | 3,786,700[(1)] | 5.45 |
| Lin Yeju[(2)] | | | 35,826,700 | 51.62 |
| Proven Choice Group Limited[(3)] | 12,960,000 | 18.67 | – | – |
| Wang Lin Jia[(3)] | – | – | 12,960,000 | 18.67 |

*Notes:*

(1) Shares held by DBS Vickers Securities (S) Pte Ltd.

(2) Madam Lin Yeju is deemed to be interested in all the Shares that her spouse, Mr Chen Jianfeng, is interested in. Mr Chen Jianfeng has a direct interest of 32,040,000 Shares and a deemed interest of 3,786,700 Shares.

(3) Proven Choice Group Limited is an investment company incorporated in the British Virgin Islands. It is wholly-owned by Mr. Wang Lin Jia who is not related to any Directors or Substantial Shareholders.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 29.70% of the Company's issued ordinary shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA YUANBANG PROPERTY HOLDINGS LIMITED (the "Company") will be held at Raffles City Convention Centre, Level 4 Swissotel The Stamford Singapore, 2 Stamford Road, Singapore 178882 on Thursday, 27 October 2016 at 10.30 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 30 June 2016 together with the Auditors' Report thereon.

**(Resolution 1)**

2. To re-elect Mr Xie Ruihua who is retiring pursuant to Bye-law 85(6) of the Company's Bye-laws

**(Resolution 2)**

*Mr Xie Ruihua will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, and a member of the Audit Committee, Nominating Committee and Share Option Scheme Committee. Mr Xie will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").*

3. To approve the payment of Directors' fees of S$130,000/– for the financial year ending 30 June 2017, to be paid half-yearly in arrears. (FY2016: S$135,000/-).

**(Resolution 3)**

4. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore to act jointly and severally as the Company's Auditors and to authorise the Directors to fix their remuneration.

**(Resolution 4)**

5. To transact any other ordinary business which may be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. **SHARE ISSUE MANDATE**

That pursuant to Rule 806 of the Listing Manual ("Listing Manual") of the SGX-ST, authority be given to the Directors of the Company to allot and issue ordinary shares ("Shares") in the Company whether by way of rights, bonus or otherwise (including Shares as may be issued pursuant to any Instruments (as defined below) made or granted by the Directors while this resolution is in force notwithstanding that the authority conferred by this resolution may have ceased to be in force at the time of issue of such Shares) and/or make or grant offers, agreements or options or otherwise issue convertible securities (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and for such purpose and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares);

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of convertible securities;

(ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares; and

(c) such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law or by the Bye-Laws to be held, whichever is earlier.

*See Explanatory Note (i)*

**(Resolution 5)**

## AS SPECIAL BUSINESS (Continued)

7. **AUTHORITY TO OFFER AND GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES UNDER THE CHINA YUANBANG SHARE OPTION SCHEME**

That, the Directors be authorised and empowered to:

(a) offer and grant options from time to time to selected Executive and Non-Executive directors and employees of the Company and its subsidiaries in accordance with the terms and conditions of the China Yuanbang Share Option Scheme (the "Scheme"); and

(b) allot and issue Shares to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Scheme upon the exercise of such options and in accordance with the terms and conditions of the Scheme,

provided always that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares) from time to time.

*See Explanatory Note (ii)*

**(Resolution 6)**

8. **RENEWAL OF SHARE BUYBACK MANDATE**

That:

(a) the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares in the capital of the Company which are fully paid up not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the SGX-ST or any other securities exchange on which the Shares may for the time being be listed and quoted; and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST or any other securities exchange on which the Shares may for the time being be listed and quoted in accordance with any equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act (Chapter 50 of Singapore), the Listing Manual, the Companies Act 1981 of Bermuda, and the Memorandum of Association and Bye-laws of the Company,

and otherwise in accordance with all other laws and regulations of Singapore and Bermuda and the rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

## AS SPECIAL BUSINESS (Continued)

8. **RENEWAL OF SHARE BUYBACK MANDATE** (Continued)

(b) the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the conclusion of the Annual General Meeting of the Company following the passing of this Resolution or the date by which such Annual General Meeting is required to be held;

(ii) the date on which purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; and

(iii) the date on which the authority contained in the Share Buyback Mandate is revoked or varied by ordinary resolution of the Company in general meeting;

(c) in this Resolution:

"Prescribed Limit" means ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days (a "Market Day" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days; and

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

## AS SPECIAL BUSINESS (Continued)

8. **RENEWAL OF SHARE BUYBACK MANDATE** (Continued)

   (d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

   *See Explanatory Note (iii)*

**(Resolution 7)**

By Order of the Board

**Tse Kwok Hing Henry**
*Company Secretary*

12 October 2016

**Explanatory Notes to Resolutions to be passed –**

(i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting or the date by which such Annual General Meeting is required to be held (whichever is earlier), to allot and issue Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to the Resolution) up to an amount not exceeding fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), of which up to twenty per cent. (20%) may be issued other than on a pro rata basis.

(ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company, to offer and grant options to selected Executive and Non-Executive Directors and employees of the Company and its subsidiaries under the Scheme and to allot and issue Shares of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares) from time to time pursuant to the exercise of the options under the Scheme.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of this Annual General Meeting until the conclusion of the next Annual General Meeting or the date by which such Annual General Meeting is required to be held (whichever is earlier) to purchase or acquire Shares by way of Market Purchases or Off-Market Purchases of up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares) on the terms of the Share Buyback Mandate as set out in the Addendum, unless such purchase or acquisition of Shares has been carried out to the full extent mandated or such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

## AS SPECIAL BUSINESS (Continued)

**Explanatory Notes to Resolutions to be passed –** (Continued)

(iii) (Continued)

The Company intends to use internal resources and/or external borrowings to finance the Company's purchase or acquisition of Shares under the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, inter alia, how the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of 6,940,000 Shares by the Company, at a purchase price equivalent to the Maximum Price per Share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2016 and certain assumptions, are set out in paragraph 2.5.3 of the Addendum.

**Notes:**

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50 of Singapore)) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, 8 Robinson Road #03-00, ASO Building, Singapore 048544, at least forty-eight (48) hours before the time of the Annual General Meeting.

3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

China Yuanbang Property Holdings Limited

(Company Registration Number: 39247)
(Incorporated in Bermuda on 4 December 2006)

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