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Jiayuan International Group Limited

佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS HIGHLIGHTS

- The Group recorded unaudited contracted sales of RMB4,648.2 million in 2016 with total sales area of approximately 460,091 sq.m., representing an increase of approximately 21.6% and 21.5% respectively when compared to 2015.
- The Group's recognised revenue for the year ended 31 December 2016 was RMB3,702.1 million representing an increase of RMB1,829.5 million or 97.7% as compared to 2015. Gross profit increased by 217.6% to RMB1,263.9 million and gross profit margin was 34.1% in 2016.
- Net profit of the Group for the year amounted to RMB809.2 million in 2016.
- Basic earnings per share were RMB45.9 cents in 2016.
- Profit margin of core business was 33.8%, representing a year-on-year increase of 13.5%.
- Net operating cash inflow of approximately RMB3,182.8 million represented an increase of 228.0% compared to 2015; the bank balances and cash and restricted/pledged bank deposits at the end of the year were approximately RMB1,416 million, representing an increase of 60.1% as compared to the beginning of the year.
- As at 31 December 2016, the land reserve was 6.6 million sq.m..
- On 27 June 2016, the Group completed the acquisition of the entire equity interest in 揚州香江新城市中心置業有限公司 (Yangzhou Xiangjiang New City Center Property Co., Ltd.*) ("Yangzhou Xiangjiang") from an independent third party.

* For identification purpose only

- On 17 October 2016, the Group completed the acquisition of the entire equity interest in 恒力房地產南通有限公司 (Hengli Property Nantong Co., Ltd.*) (“Hengli Property”) from independent third parties which hold the Nantong lands.
- On 29 December 2016, the Group successfully acquired the Land Plot 2016G13, situated at the intersection of South Side of Wenchang East Road and West Side of Guangzhou Road, Yangzhou City, Jiangsu Province, the People’s Republic of China (the “PRC”), by way of public listing and tender held by 揚州市江都區國土資源局 (Bureau of Land Resources of Jiangdu District, Yangzhou City*).

The board (the “Board”) of directors (the “Directors”) of Jiayuan International Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 with comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	4	3,702,081	1,872,615
Cost of sales		(2,438,151)	(1,474,633)
Gross profit		1,263,930	397,982
Other income	5	60,992	8,194
Other gains and losses	5	5,299	(42,225)
Change in fair value of investment properties		322,413	203,641
Change in fair value upon transfer from inventories of properties to investment properties		15,412	220,017
Gain on bargain purchase of a subsidiary		102,498	–
Distribution and selling expenses		(130,197)	(130,885)
Administrative expenses		(89,858)	(66,750)
Other expenses		(15,730)	(32,743)
Finance costs	6	(64,905)	(47,871)
Profit before taxation		1,469,854	509,360
Income tax expense	7	(660,650)	(198,119)
Profit for the year	8	809,204	311,241
Discontinued operations			
Loss for the year from discontinued operations		–	(23,345)
Profit and total comprehensive income for the year		809,204	287,896

* For identification purpose only

	<i>NOTES</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company			
– from continuing operations		811,153	298,570
– from discontinued operations		<u>–</u>	<u>(17,826)</u>
		811,153	280,744
Non-controlling interests			
– from continuing operations		(1,949)	12,671
– from discontinued operations		<u>–</u>	<u>(5,519)</u>
		(1,949)	7,152
		809,204	287,896
Earnings per share			
From continuing and discontinued operations			
Basic (RMB cents)	<i>10</i>	45.86	20.80
Diluted (RMB cents)	<i>10</i>	45.86	N/A
From continuing operations			
Basic (RMB cents)	<i>10</i>	45.86	22.12
Diluted (RMB cents)	<i>10</i>	45.86	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Investment properties		2,173,368	1,570,149
Property and equipment		85,507	82,269
Interests in associates		–	–
Available-for-sale investment		53,820	–
Prepayment and deposit paid for a life insurance policy		9,513	9,584
Deposits for acquisition of subsidiaries		1,400,000	–
Deposits		–	18,800
Deferred tax assets		216,673	165,427
		<u>3,938,881</u>	<u>1,846,229</u>
CURRENT ASSETS			
Inventories of properties			
– held for sale		730,211	524,433
– under development		9,836,441	7,987,885
Amounts due from customers for contract work		110,580	164,614
Trade and other receivables, deposits and prepayments	11	1,168,969	2,383,540
Held-to-maturity investment		129,796	–
Prepaid income tax		66,400	101,332
Amounts due from related parties		3,934	50,822
Restricted/pledged bank deposits		438,795	856,876
Bank balances and cash		977,653	28,027
		<u>13,462,779</u>	<u>12,097,529</u>
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	12	1,052,061	978,007
Pre-sale deposits received	12	5,167,027	4,548,971
Tax payable		700,563	287,460
Amounts due to related parties		140	–
Bank and other borrowings – due within one year		3,385,640	3,060,212
		<u>10,305,431</u>	<u>8,874,650</u>
NET CURRENT ASSETS		<u>3,157,348</u>	<u>3,222,879</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,096,229</u>	<u>5,069,108</u>

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
CAPITAL AND RESERVES		
Share capital	15,558	–
Reserves	3,191,752	1,360,205
	<hr/>	<hr/>
Equity attributable to owners of the Company	3,207,310	1,360,205
Non-controlling interests	107,942	19,878
	<hr/>	<hr/>
TOTAL EQUITY	3,315,252	1,380,083
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	2,314,420	3,076,448
Deferred income	436,341	404,838
Deferred tax liabilities	334,566	207,739
Senior notes	695,650	–
	<hr/>	<hr/>
	3,780,977	3,689,025
	<hr/>	<hr/>
	7,096,229	5,069,108
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching. The Company’s registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands; the principal place of business is located at Room 1403, 9 Queen’s Road Central, Hong Kong.

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

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

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRS 2012–2014 Cycle

The application of the amendments to HKFRSs in the current year had had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instrument ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKFRSs	Annual Improvements HKFRSs 2014–2016 Cycle ⁵

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

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

3. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by Mr. Shum Tin Ching, being the chief operating decision maker prior to the reorganisation arrangements undergone by the Group in preparing for the Listing (the “Reorganisation”), and the Board, being the chief operating decision maker after the Reorganisation, for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments under HKFRS 8 are therefore as follows:

- (i) Property development – development and sales of office premises, shopping arcade and residential properties
- (ii) Development services – development of resettlement properties and other public facilities
- (iii) Property investment – leasing of office premises, hotel, shopping arcade and carparks

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

Continuing operations

	Segment revenue		Segment profit	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property development	3,681,763	1,845,870	1,134,758	172,067
Development services	–	2,997	–	97
Property investment	20,318	23,748	20,318	23,748
Total	<u>3,702,081</u>	<u>1,872,615</u>	<u>1,155,076</u>	<u>195,912</u>
Other gains and losses			5,299	(42,225)
Interest income			59,876	6,487
Central administration costs			(15,114)	(9,988)
Change in fair value of investment properties			322,413	203,641
Change in fair value upon transfer from inventories of properties to investment properties			15,412	220,017
Other expenses			(8,203)	(16,613)
Finance costs			(64,905)	(47,871)
Profit before taxation			<u>1,469,854</u>	<u>509,360</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, certain other expenses, change in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year reported.

Other segment information

Continuing operations

	Depreciation of property and equipment	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Amount included in the measure of segment profit or loss:		
Property development	<u>4,930</u>	<u>3,353</u>

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

Continuing operations

	Revenue from external customers	
	2016 RMB'000	2015 RMB'000
Taixing	595,982	352,829
Taizhou	102,076	139,491
Suqian	328,154	1,110,190
Yangzhou	3,129	270,105
Nanjing	2,426,241	–
Changzhou	246,499	–
	<u>3,702,081</u>	<u>1,872,615</u>

	Non-current assets	
	2016 RMB'000	2015 RMB'000
Changzhou	314,948	182,138
Hong Kong	77,772	79,684
Nanjing	5,451	670
Taixing	831,341	705,669
Taizhou	418,540	408,066
Suqian	218,173	213,797
Yangzhou	392,165	62,394
Nantong	309	–
Zhenjiang	176	–
	<u>2,258,875</u>	<u>1,652,418</u>

Note: Non-current assets excluded financial instruments, prepayment and deposit paid for a life insurance policy, deposits paid for acquisition of subsidiaries, deposits and deferred tax assets.

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the years reported.

4. REVENUE

The amount represents revenue arising from sales of properties, development services and property rental.

Analysis of the Group's revenue from continuing operations are set out as below:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales of properties	3,681,763	1,845,870
Development services	–	2,997
Property rental	20,318	23,748
	3,702,081	1,872,615

5. OTHER INCOME, GAINS AND LOSSES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Continuing operations		
Other income		
Interest income on bank deposits	9,278	5,660
Interest income on entrusted loans receivable	48,668	827
Interest income on available-for-sale investment	1,504	–
Interest income on held-to-maturity investment	426	–
Others	1,116	1,707
	60,992	8,194
Other gains and losses		
Loss on disposal of property and equipment	(25)	(331)
Change in fair value of investments designated at fair value through profit or loss	–	750
Foreign exchange gain (loss), net	5,324	(42,644)
	5,299	(42,225)

6. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Continuing operations		
Interest on bank and other borrowings	715,685	705,628
Interest on senior notes	21,726	–
Less: Capitalised in investment properties/properties under development	<u>(672,506)</u>	<u>(657,757)</u>
	<u>64,905</u>	<u>47,871</u>

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 6.69% per annum for the year ended 31 December 2016 (2015: 8.83% per annum).

7. INCOME TAX EXPENSE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Continuing operations		
Current tax:		
Enterprise income tax (“EIT”) in the PRC	328,620	74,375
Land appreciation tax (“LAT”)	<u>298,820</u>	<u>53,246</u>
	627,440	127,621
Deferred tax	<u>33,210</u>	<u>70,498</u>
	<u>660,650</u>	<u>198,119</u>

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

No provision for Hong Kong Profits Tax has been recognised in the consolidated financial statements during both years as the Group does not have income which arises in, or is derived from Hong Kong.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2013, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995 (collectively referred to the “LAT Regulations”), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

The tax charge for the year can be reconciled to the profit before taxation from continuing operations as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Continuing operations		
Profit before taxation	1,469,854	509,360
PRC EIT at 25%	367,463	127,340
Tax effect of expenses not deductible for tax purpose	107,445	25,530
Tax effect of income not taxable for tax purpose	(46,591)	(23)
Tax effect of tax losses not recognised	11,019	5,536
Utilisation of tax losses previously not recognised	(2,801)	(235)
LAT	298,820	53,246
Tax effect of LAT	(74,705)	(13,312)
Others	–	37
Tax charge for the year	660,650	198,119

8. PROFIT FOR THE YEAR

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Continuing operations		
Profit for the year has been arrived at after charging (crediting):		
Cost of properties held for sale recognised as expenses	2,438,151	1,471,733
Depreciation of property and equipment	4,960	3,408
Less: Capitalised in properties under development	(30)	(46)
	4,930	3,362
Auditors' remuneration	2,100	1,650
Compensation expenses (included in other expenses) (<i>Note</i>)	780	6,041
Donations (included in other expenses)	932	552
Listing expenses (included in other expenses)	8,203	16,613
Minimum lease payments under operating lease for land and buildings	1,267	1,876
Rental income from investment properties (net of negligible outgoings)	(20,318)	(17,629)
Directors' emoluments	6,209	4,118
Other staff costs		
Salaries and other allowances	30,384	28,283
Retirement benefit costs	4,572	4,102
Total staff costs	41,165	36,503
Less: Capitalised in properties under development	(3,879)	(4,976)
	37,286	31,527

Note: Compensation expenses mainly represent compensation paid to purchasers of properties as a result of delay in property delivery.

9. DIVIDEND

No dividend has been paid or proposed by the Company during the years ended 31 December 2016 and 2015.

10. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic earnings per share from continuing and discontinued operations during the years are based on the assumption that the Reorganisation and the capitalisation issue (details are set out in the section headed “History, Reorganisation and Group Structure” in the prospectus dated 26 February 2016 issued by the Company (the “Prospectus”)) had been in effective on 1 January 2014.

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	811,153	280,744
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,768,709	1,350,000
Effect of dilutive potential ordinary shares: Over-allotment option	152	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,768,861	

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit for the year attributable to owners of the Company	811,153	280,744
Add: Loss for the year from discontinued operations	–	17,826
Profit for the purpose of basic earnings per share from continuing operations	811,153	298,570

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for the discontinued operations is RMB1.32 cents per share for the year ended 31 December 2015.

The calculation of basic loss per share from discontinued operations attributable to owners of the Company is based on the following data:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Loss for the year from discontinued operations	<u>N/A</u>	<u>(17,826)</u>

The denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share is presented as there is no potential ordinary shares outstanding during the year ended 31 December 2015.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Rental receivables	38,212	17,103
Prepaid construction costs	494,151	692,113
Prepaid business and other taxes	218,002	205,780
Deposits for acquisition of land use rights	1,466	53,737
Projects related deposits	99,156	77,534
Deposit for trust financing arrangement (<i>Note i</i>)	4,800	18,800
Other deposits	20,368	48,949
Entrusted loans receivable (<i>Note ii</i>)	–	1,044,900
Bills receivables	700	–
Advances to staff	22,411	20,711
Other receivables (<i>Note iii</i>)	269,703	222,713
	<u>1,168,969</u>	<u>2,402,340</u>
Less: Non-current portion of deposits	–	(18,800)
	<u>1,168,969</u>	<u>2,383,540</u>

Notes:

- (i) The amount is deposited in a trust financing company for raising trust loan to a subsidiary of the Group, in which the final repayment date is scheduled to be in July 2017. The deposit will be refunded to the Group upon full repayments of the trust loan.
- (ii) Entrusted loans receivable represent the amounts advanced to independent third parties which are unsecured, interest bearing at 4.75% per annum and are repaid in the year 2016.
- (iii) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

The Group allows an average credit period of 30 days to its trade customers. No trade receivable is noted at 31 December 2016 and 2015.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the year.

No allowance for doubtful debts on trade and other receivables are noted at 31 December 2016 and 2015.

12. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/PRE-SALE DEPOSITS RECEIVED

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	405,118	309,715
Business and other taxes payable	18,889	16,917
Accrued charges (<i>Note i</i>)	123,892	311,391
Deferred income (<i>Note ii</i>)	442,629	410,976
Payables for acquisition of land	39,143	39,871
Deposits related to sales of properties	49,222	93,573
Consideration payable for acquisition of a subsidiary	98,052	–
Deposits and other payables (<i>Note iii</i>)	224,987	139,021
Other unsecured interest-free advances	86,470	61,381
	<u>1,488,402</u>	<u>1,382,845</u>
Less: Non-current portion of deferred income	<u>(436,341)</u>	<u>(404,838)</u>
Current portion	<u>1,052,061</u>	<u>978,007</u>

Notes:

- (i) Accrued charges mainly include construction cost accrued based on construction progress.
- (ii) Deferred income comprises (i) deferred rental income from the Group's investment properties and (ii) deferred income arising from transfer of land use right of underground car parks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground car parks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.
- (iii) Deposits and other payables mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts and accrued interest for bank borrowings and senior notes.

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payable is 30 days.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
0–30 days	193,649	75,062
31–90 days	60,353	26,195
91–180 days	20,150	55,083
181–360 days	20,702	56,830
Over 360 days	110,264	96,545
	<u>405,118</u>	<u>309,715</u>

As at 31 December 2016, pre-sale deposits received of RMB595,303,000 (2015: RMB478,414,000) is expected to be realised after twelve months from the end of the reporting date.

CHAIRMAN’S STATEMENT

Dear Shareholders,

Jiayuan International Group Limited is an established property developer of residential and commercial complexes in the PRC. The Group’s business operations include the development and sale of residential and commercial properties and leasing of commercial properties. Despite a slowdown of economic growth with gross domestic product of 6.7% in 2016, the Group still benefited from the recovery of the real estate market and the full implementation of “two-child” policy under the National 13th Five-Year Plan, which stimulated the housing demand.

Results Performance

Over the past year, the Group has been striving to seize market opportunities, and the major operational indicators grew significantly. As of 31 December 2016, the Group achieved contracted sales of properties of RMB4.65 billion, representing an increase of approximately 21.6% when compared to 2015. Property contracted sales area amounted to approximately 460,091 sq.m., representing an increase of approximately 21.5% when compared to 2015. The average price of contracted sales was RMB10,102 per sq.m.. The annual revenue increased by 98% year-on-year to RMB3.7 billion. Net profit amounted to RMB0.81 billion, representing a significant increase of 160.0%. Profit attributable to shareholders amounted to approximately RMB0.81 billion, representing a significant increase of 189.0% from RMB0.28 billion in 2015. Earnings per share also recorded a significant increase of 120.5% to RMB45.9 cents when compared to 2015.

Group Overview

The Group completed a number of significant transactions, including acquisition of interests in two parcels of land in Yangzhou, one parcel of land in Zhenjiang and four parcels of land in Nantong, by way of mergers and acquisitions, and has entered into agreements in relation to acquisition of land parcels in Luohu and Bao’an of Shenzhen in the second half of the year, which fostered the rapid expansion of the Group’s property business coverage. As at 31 December 2016, the Group’s property portfolio comprised 25 properties in various major cities in the PRC, with a completed total gross floor area (“GFA”) of 3.7 million sq.m. and land reserve of 6.6 million sq.m., covering Changzhou, Nanjing, Yangzhou, Taizhou, Taixing, Suqian and Siyang and new cities such as Nantong, Zhenjiang and Shenzhen. Besides further expansion in the Yangtze River Delta Region, the Group also successfully enlarged the real estate business coverage to the major city in Guangdong Province, thereby enhancing the brand influence of “Jiayuan” brand in the Pearl River Delta Region.

Prospects

The Group considers that the austerity policies introduced by the Central Government in 2016 would accelerate the establishment of market stability mechanism and facilitate healthy development of the mainland property market. Against the backdrop of accelerated integration of the Chinese property market, the Group will, based on its financial position and market conditions, maintain an appropriate scale of investment, on one hand by participating in public land auction, and on the other, through acquisition of enterprises with land resources by way of mergers and acquisitions, and participation in the redevelopment of shanty-towns and urban renewal projects, thereby increasing its land reserves through multiple channels in order to support stable growth in this 13th Five-Year Plan period.

Looking forward to 2017, the Group will continue to expand new projects in the first and second-tier cities in Jiangsu Province, and focus on the expansion of the Pearl River Delta Region. The Group will position Hong Kong as an overseas business development center, and develop quality projects in different countries and regions such as Singapore, Vietnam, Hong Kong and Macau in order to increase its quality land reserves, thereby achieving parallel development in domestic and overseas markets and capturing the development opportunities in the global real estate market. Lastly, on behalf of the Board, I would like to extend my sincere gratitude to our shareholders. With the promising business performance this year, all staff of the Group will continue to make every effort to maximize the value for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of 2016 Results

In 2016, the Group continued to adhere to the core development strategy of focusing the Group's development effort in "major cities and selected key towns" (「大城市、小城镇」). As at 31 December 2016, the Group had 25 property development projects in Jiangsu Province, comprising 20 residential complex projects and 5 integrated commercial complex projects. Despite a slowdown of China's economic growth with gross domestic product growth of 6.7% in 2016, the Group had benefited from the recovery of the real estate market in China during the year. Housing demand had been stimulated as a result of the relaxed restrictions on home purchases promulgated by provincial government authorities and reductions in benchmark interest rates by the People's Bank of China. During the year, the Group achieved contracted sales of properties of approximately RMB4,648.2 million, representing a significant growth from 2015 with a year-on-year increase of approximately 21.6%.

Details of contracted sales breakdown of the Group by major projects are as follows:

Project	Year ended 31 December 2016			Year ended 31 December 2015		
	Contracted sales RMB (million) (unaudited)	Contracted GFA (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	Contracted sales RMB (million) (unaudited)	Contracted GFA (sq.m.)	Contracted ASP (RMB per sq.m.)
1. Zijin Mansion 紫金華府	2,185.3	76,128	28,705	2,380.8	111,482	21,356
2. Yangzhou Park Number One 揚州公園一號	-	-	-	3.1	418	7,418
3. Jiayuan Centurial Villa 世紀豪園	1.2	271	4,353	33.2	6,616	5,021
4. Jiayuan Centurial Garden 世紀花園	0.3	60	5,594	0.8	149	5,400
5. Venice Metropolis 威尼斯城	429.9	68,484	6,277	268.0	40,472	6,622
6. Qiangxi Garden 羌溪花苑	5.8	384	15,113	73.9	7,175	10,304
7. Oriental Bright City 東方不夜城	0.7	141	4,609	58.0	14,140	4,105
8. Oriental Paris City 東方巴黎城	40.8	11,791	3,463	62.2	17,460	3,564
9. Quexiandao Number One 鵲仙島一號	5.2	1,150	4,556	9.0	1,779	5,059
10. Elite International Garden 名人國際花園	-	-	-	0.5	92	5,066
11. Suqian Park Number One 宿遷公園一號	126.2	22,022	5,728	270.3	50,863	5,314
12. Paris Metropolis 巴黎都市	174.3	36,082	4,831	92.7	22,341	4,150
13. Rome Metropolis 羅馬都市	190.4	45,504	4,183	140.7	39,293	3,579
14. Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	160.8	29,374	5,474	163.3	27,189	6,004
15. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	120.0	25,723	4,664	107.3	23,636	4,539
16. Huangqiao Jiayuan Mingfu 黃橋佳源名府	118.3	18,625	6,350	-	-	-
17. Jiayuan New World 新天地	523.2	51,519	10,155	159.4	15,585	10,224
18. Nantong Jiayuan Metropolis 南通佳源都市	149.2	23,457	6,362	-	-	-
19. Yangzhou Jiayuan Centurial City 揚州佳源世紀天城	416.6	49,376	8,436	-	-	-
Total	4,648.2	460,091	10,102	3,823.2	378,690	10,095

Property Projects

According to the stage of development, the Group classifies its property projects into three categories: completed properties, properties under development and properties held for future development. As some of its projects comprise multiple-phases development on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

As at 31 December 2016, the Group had completed a total GFA of 3.7 million sq.m. and had land reserves with a total GFA of 6.6 million sq.m., comprising (a) a total GFA of approximately 0.4 million sq.m. completed but remaining unsold and held for investment, (b) a total GFA of approximately 3.4 million sq.m. under development, and (c) a total planned GFA of approximately 2.8 million sq.m. held for future development.

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2016, the Group had investment properties with a total GFA of approximately 0.4 million sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades in order to enable the Group to select tenants and determine industry composition. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

Properties Under Development and Properties Held for Future Development

The following table sets out a summary of the Group's properties under development, properties held for future development and project phases by projects as at 31 December 2016:

Project	Project Type	Expected Completion Date	Site Area (sq.m.)	Under Development			Held For Future Development			Ownership Interest %
				GFA Under Development (sq.m.)	Saleable/Rental GFA (sq.m.)	GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained (sq.m.)		
Yangzhou										
1.	Yangzhou Jiayuan Centurial City 佳源世紀天城	Residential	2019Q2	214,206	717,691	446,647	49,376	573,803	-	100%
Nanjing										
1.	Zijin Mansion 紫金華府	Residential	2017Q2	339,008	235,747	220,831	100,723	-	-	100%
Taixing										
1.	Venice Metropolis 威尼斯城	Residential	2022Q3	1,467,002	460,409	460,409	275,729	976,005	-	100%
2.	Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed-use	2017Q2	123,940	99,161	98,271	18,625	56,176	-	100%
3.	Jiayuan New World 新天地	Mixed-use	2018Q2	190,802	254,097	254,097	315,382	-	-	100%
4.	Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Mixed-use	2018Q4	83,048	389,343	38,943	-	39,389	-	100%
Taizhou										
1.	Oriental Paris City 東方巴黎城	Residential	2016Q3	231,702	20,018	15,854	1,153	8,965	-	100%
2.	Taizhou Jiayuan Central Plaza 泰州佳源中心廣場	Mixed-use	2018Q4	15,702	-	-	-	-	15,702	100%
Suqian										
1.	Suqian Park Number One 宿遷公園一號	Residential	2017Q1	126,183	125,991	67,844	54,220	-	-	90%
Siyang										
1.	Paris Metropolis 巴黎都市	Residential	2019Q4	173,933	104,164	102,627	81,755	618,762	-	90%
2.	Rome Metropolis 羅馬都市	Residential	2020Q4	338,967	96,899	87,074	20,210	443,045	-	100%

Project	Project Type	Expected Completion Date	Site Area (sq.m.)	Under Development			Held For Future Development		Ownership Interest %	
				GFA Under Development (sq.m.)	Saleable/Rental GFA (sq.m.)	GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained (sq.m.)		
Changzhou										
1.	Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	Mixed-use	2020Q4	58,601	122,313	55,128	41,252	-	-	100%
Nantong										
1.	Jiayuan Metropolis 佳源都市	Residential	2019Q2	198,434	518,560	409,020	23,457	-	-	100%
Zhenjiang										
1.	Jiayuan Paris Metropolis 佳源巴黎都市	Residential	2019Q2	119,607	280,981	195,044	-	-	-	80%
Shenzhen										
1.	Shenzhen Dingxi 深圳鼎曦	Residential	2019Q2	4,940	-	-	-	-	55,514	100%
2.	Shenzhen Songling 深圳松齡	Residential	2019Q2	4,281	-	-	-	-	38,100	49%
Total				<u>3,690,356</u>	<u>3,425,375</u>	<u>2,451,789</u>	<u>981,882</u>	<u>2,716,145</u>	<u>109,316</u>	
Total Attributable GFA				<u>3,634,240</u>	<u>3,346,164</u>	<u>2,395,733</u>	<u>968,283</u>	<u>2,654,268</u>	<u>89,885</u>	

Investment Properties

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 31 December 2016:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December		
			2016 (RMB million)	2015 (RMB million)	
Yangzhou					
1.	Yangzhou Park Number One 揚州公園一號	720.8	720.8	0.3	0.3
2.	Jiayuan Centurial Garden 世紀花園	8,653.1	8,653.1	0.9	1.2
3.	Jiayuan Centurial Scenery Park 世紀景園 (Note 1)	-	-	-	0.3

Project	Total GFA Held for Investment	Leased GFA	Total Rental Income For the year ended 31 December	
	(sq.m.)		(sq.m.)	2016 (RMB million)
4. Jiayuan Centurial Villa 世紀豪園 (Note 1)	–	–	–	0.5
5. Yangzhou Jiayuan Centurial City 佳源世紀天城 (Note 2)	127,002.1	–	–	–
Taixing				
1. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	47,567.2	43,601.2	1.4	0.8
2. Jiayuan New World 新天地	25,190.9	20,643.3	3.6	3.0
3. Qiangxi Garden 羌溪花苑	3,045.8	3,045.8	0.3	–
Taizhou				
1. Oriental Bright City 東方不夜城	34,419.1	34,303.1	5.8	6.1
2. Quexiandao Number One 鵲仙島一號	10,027.7	9,939.1	2.5	2.5
Siyang				
1. Rome Metropolis 羅馬都市	43,886.0	37,534.0	2.8	4.0
Changzhou				
1. Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場 (Note 3)	49,849.3	3,818.3	–	–
Total	350,362.0	162,258.7	17.6	18.7

Note 1: The lease agreements of the relevant properties of Jiayuan Centurial Scenery Park and Jiayuan Centurial Villa were terminated and the relevant properties were removed from the Group's investment property pool as the Group no longer wishes to lease the relevant properties to generate rental income.

Note 2: The project is currently under construction.

Note 3: Part of the project is currently under construction.

Completed Properties

The following table sets out a summary of the Group's completed projects and project phases by projects as at 31 December 2016:

		Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Rental GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Rental GFA Held for Property Investment (sq.m.)	Ownership Interest %
Nanjing								
1.	Zijin Mansion 紫金華府	Residential	44,698	135,118	124,499	6,786	–	100%
Yangzhou								
1.	Yangzhou Park Number One 揚州公園一號	Residential	75,591	148,894	118,281	–	721	100%
2.	Jiayuan Centurial Villa 世紀豪園	Residential	391,088	236,311	216,384	1,803	–	100%
3.	Jiayuan Centurial Garden 世紀花園	Residential	234,671	392,134	352,150	4,317	8,653	100%
4.	Jiayuan Centurial Scenery Park 世紀景園	Residential	60,972	119,978	98,735	–	–	100%
Taixing								
1.	Venice Metropolis 威尼斯城	Residential	660,576	673,391	512,763	12,618	–	100%
2.	Qiangxi Garden 羌溪花苑	Residential	69,486	297,159	234,297	2,557	3,046	100%
3.	Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed-use	123,940	157,419	153,570	8,973	47,567	100%
4.	Jiayuan New World 新天地	Mixed-use	121,316	145,681	97,413	24,552	25,191	100%
Taizhou								
1.	Oriental Bright City 東方不夜城	Residential	77,021	310,627	255,892	10,068	34,419	100%
2.	Oriental Paris City 東方巴黎城	Residential	226,402	311,980	254,386	33,142	–	100%
3.	Quexiandao Number One 鵲仙島一號	Residential	68,330	37,865	28,015	8,658	10,028	100%
Suqian								
1.	Elite International Garden 名人國際花園	Residential	53,970	218,046	175,491	687	–	90%
2.	Suqian Park Number One 宿遷公園一號	Residential	126,183	219,047	219,047	7,031	–	90%

		Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Rental GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Rental GFA Held for Property Investment (sq.m.)	Ownership Interest %
Siyang								
1.	Paris Metropolis 巴黎都市	Residential	173,933	79,143	60,962	14,918	–	90%
2.	Rome Metropolis 羅馬都市	Residential	338,967	212,943	196,350	18,745	43,886	100%
Changzhou								
1.	Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	Mixed-use	21,411	51,125	51,152	4,855	49,849	100%
Total			<u>2,868,555</u>	<u>3,746,863</u>	<u>3,149,387</u>	<u>159,710</u>	<u>223,360</u>	
Total Attributable GFA			<u>2,833,148</u>	<u>3,695,237</u>	<u>3,103,837</u>	<u>157,446</u>	<u>223,360</u>	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at 31 December 2016:

	Completed		Under development	Future development		Total land reserves	
	Saleable GFA remaining unsold (sq.m.)	Rentable GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	GFA without land use rights certificate (sq.m.)	Total GFA (sq.m.)	Percentage by geographical location %
Nanjing	6,786	–	235,747	–	–	242,533	4%
Taixing	48,700	75,804	1,203,011	1,071,570	–	2,399,085	36%
Taizhou (other than Taixing)	51,868	44,447	20,018	8,965	15,702	141,000	2%
Yangzhou	6,120	9,374	717,691	573,803	–	1,306,988	20%
Suqian (other than Siyang)	7,718	–	125,991	–	–	133,709	2%
Siyang	33,663	43,886	201,063	1,061,807	–	1,340,419	20%
Changzhou	4,855	49,849	122,313	–	–	177,017	3%
Zhenjiang	–	–	280,981	–	–	280,981	4%
Nantong	–	–	518,560	–	–	518,560	8%
Shenzhen	–	–	–	–	93,614	93,614	1%
	<u>159,710</u>	<u>223,360</u>	<u>3,425,375</u>	<u>2,716,145</u>	<u>109,316</u>	<u>6,633,906</u>	<u>100%</u>

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. In 2016, revenue of the Group amounted to approximately RMB3,702.1 million, representing an increase of approximately 97.7% from approximately RMB1,872.6 million in 2015. Profit and total comprehensive income for the year attributable to the owners of the Group was approximately RMB811.2 million, representing an increase of approximately 188.9% from approximately RMB280.7 million in 2015.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 99.5% to approximately RMB3,681.8 million in 2016 from approximately RMB1,845.9 million in 2015. The increase was mainly due to the delivery of properties pre-sold under Zijin Mansion project upon its first stage of completion.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment decreased by approximately 14.4% to approximately RMB20.3 million in 2016 from approximately RMB23.7 million in 2015. The decrease was primarily due to the leasing contracts of some of the property investments were resigned after mature during the year, which led to the impairment loss over the lease period.

Gross Profit and Margin

Gross profit increased by approximately 217.6% to approximately RMB1,263.9 million in 2016 from approximately RMB398.0 million in 2015, while the Group's gross profit margin increased to 34.1% in 2016 as compared to a gross profit margin of 21.3% in 2015. The increase in gross profit margin was mainly attributable to the delivery of projects including Zijin Mansion project and Jiayuan New World which contributed a comparatively higher gross profit margin to the Group.

Other Income, Gains and Losses

We had other income and gains of approximately RMB66.3 million and other net losses of approximately RMB34.0 million in 2016 and 2015 respectively. The sharp increase of other income and gains was mainly attributable to an increase in foreign exchange gain to approximately RMB5.3 million in 2016 from foreign exchange losses to approximately RMB42.6 million in 2015, which was mainly as a result of the depreciation of RMB that contributed to the appreciation of the value of the Group's HKD-denominated bank balances and cash.

Change in Fair Value upon Transfer from Inventories of Properties to Investment Properties/ of Investment Properties

The Group's change in fair value of investment properties decreased to approximately RMB337.8 million in 2016 from approximately RMB423.6 million in 2015. The decrease by approximately 20.3% was mainly attributable to the some of the property investments were nearly completed during the year which enables their values to reflex the market value in 2015 and 2016.

Distribution and Selling Expenses

The distribution and selling expenses decreased to approximately RMB130.2 million in 2016 from approximately RMB130.9 million in 2015. The decrease by approximately 0.5% was mainly attributable to a decrease in advertising and promotion expenses in 2016.

Administrative Expenses

The Group's administrative expenses increased by approximately 34.6% to approximately RMB89.9 million in 2016 from approximately RMB66.8 million in 2015, which was mainly attributable to the listing fee and expenses incurred by the issuance of public offering bonds.

Other Expenses

The Group's other expenses decreased to approximately RMB15.7 million in 2016 from approximately RMB32.7 million in 2015. The decrease of approximately 52.0% was mainly due to decrease of compensation expenses arising from delay of delivery of properties to purchasers.

Finance Costs

The Group's finance costs increased to approximately RMB64.9 million in 2016 from approximately RMB47.9 million in 2015. The increase of approximately 35.6% was mainly due to an increase in HKD-denominated bank borrowings, which were not borrowed specifically for property development purpose.

Income Tax Expense

The Group's income tax expense increased to approximately RMB660.7 million in 2016 from approximately RMB198.1 million in 2015. The increase of approximately 233.5% was mainly due to an increase in profit before taxation, leading to an increase in taxable profit.

Profit and Total Comprehensive Income attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by approximately 188.9% to approximately RMB811.2 million in 2016 from approximately RMB280.7 million in 2015.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2016, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB1,416.4 million (as at 31 December 2015: approximately RMB884.9 million), representing an increase of approximately 60.1% as compared to that as at 31 December 2015. As at 31 December 2016, bank deposits of approximately RMB107.6 million (as at 31 December 2015: approximately RMB617.4 million) are pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB305.4 million (as at 31 December 2015: approximately RMB211.4 million) in 2016 that are restricted for use in specific property development projects.

Borrowings and the Group's Pledged Assets

As at 31 December 2016, the Group had bank and other borrowings of approximately RMB5,700.1 million (as at 31 December 2015: approximately RMB6,136.7 million). Amongst the borrowings, approximately RMB3,385.6 million (as at 31 December 2015: approximately RMB3,060.2 million) will be repayable within one year and approximately RMB2,314.4 million (as at 31 December 2015: approximately RMB3,076.4 million) will be repayable after one year.

As at 31 December 2016, bank and other borrowings of approximately RMB5,668.7 million (as at 31 December 2015: approximately RMB5,535.7 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2016, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB10,721.8 million (as at 31 December 2015: approximately RMB9,467.1 million).

Senior Notes

In September 2016, the Company issued senior secured notes with a principal amount of US\$100,000,000 due in 2018 (the "Senior Notes") which are listed on the Stock Exchange (Stock Code: 4329). The Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, will mature in September 2018.

The Group may at any time redeem the Senior Notes, in whole and not in part, at any time and from time to time on or after 15 September 2017, at a redemption price equal to 105% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Group must make an offer to repurchase all Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event or a delisting event as defined in the offering circular. In the opinion of the Directors of the Company, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

Net Gearing Ratio

The net gearing ratio of the Group improved significantly, the ratio dropped significantly from 380.5% as at 31 December 2015 to 150.2% as at 31 December 2016. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings and deposits paid for a life insurance policy, the Group does not have any other material direct exposure to foreign exchange fluctuations. In 2016, though the exchange rates of RMB against U.S. dollar and Hong Kong dollar decreased, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. During 31 December 2016, the Group considers that no foreign exchange hedging arrangement is needed currently.

Commitments

As at 31 December 2016, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB3,696.9 million (as at 31 December 2015: approximately RMB4,047.7 million).

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees amounting to approximately RMB3,376.4 million (as at 31 December 2015: approximately RMB2,475.0 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2016 as the possibility of default by the purchasers of the Group's properties is remote.

Material Acquisitions and Disposals

In 2016, the Group completed the acquisition of the entire equity interest in Yangzhou Xiangjiang from an independent third party which holds one land parcel located in Yangzhou. Please refer to the Company's announcement dated 13 April 2016 for further details.

Also, the Group completed the acquisition of the entire equity interest in Hengli Property from independent third parties which hold the Nantong lands. Please refer to the Company's announcement dated 17 October 2016 for further details.

In addition, Yangzhou Xiangjiang has successfully won a bidding in respect of the state-owned construction land use right of Land Plot 2016G13. Please refer to the Company's announcement dated 30 December 2016 for further details.

Save as disclosed in the above announcements, the Group did not have any material acquisitions and disposals during the year ended 31 December 2016.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources, external borrowings and proceeds from the global offering. Save as disclosed in the Announcements and the above-mentioned, the Group did not have any future plans for material investments as at the date of this announcement.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2016, the Group had approximately 498 employees (as at 31 December 2015: 430 employees). For the year ended 31 December 2016, the Group incurred employee costs of approximately RMB41.2 million (as at 31 December 2015: approximately RMB36.5 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 8 March 2016, the Listing Date.

As the Company was not a listed company during the period from 1 January 2016 to 7 March 2016, the CG Code was not applicable to the Company during that period. The CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with the code provisions as set out in the CG Code since the Listing Date up to 31 December 2016.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ dealings in the securities of the Company.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code throughout the period from the Listing Date to 31 December 2016.

The Company has also established written guidelines (the “Employees Written Guidelines”) on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the period from the Listing Date to 31 December 2016. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the final results and the audited consolidated financial statements for the year ended 31 December 2016. The audit committee has also reviewed the effectiveness of the internal control system, financial reporting system and risk management system of the Group and considers such systems to be effective and adequate.

This final results announcement is based on the Company’s audited consolidated financial statements for the year ended 31 December 2016 which have been agreed with Deloitte Touche Tohmatsu, the auditor of the Company.

FINAL DIVIDEND

At the Board meeting held on 28 March 2017, the Board has resolved not to declare any final dividend in respect of the year ended 31 December 2016 (2015: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 8 June 2017 (the “AGM”) and the notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 2 June 2017.

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND THE ISSUE OF THE OVER-ALLOTMENT SHARES

The total net proceeds from the Listing amounted to approximately HK\$1,216.7 million after consideration of over-allotment of approximately HK\$167.4 million, which are intended to be utilised in accordance with the proposed application set out in the section headed “Future plans and use of proceeds” in the Prospectus.

The additional net proceeds from the issue of the Over-allotment Shares after deducting the underwriting fees and commissions, transaction levy and trading fee relating to the exercise of the over-allotment option are intended to be used by the Company on a pro rata basis for the purposes as set out in the section headed “Future plans and use of proceeds” in the Prospectus.

The Company did not apply any net proceeds for the purposes other than those disclosed in the Prospectus during the period from the Listing Date to 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In September 2016, the Company issued Senior Notes with principal amount of US\$100,000,000 due in 2018, which are listed on the Stock Exchange and with interest rate of 9.75% per annum. Further details are set out in the section headed “Financial Review – Liquidity, Financial and Capital Resources – Senior Notes” in this announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the period from the Listing Date to 31 December 2016.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement of final results has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.jiayuanintl.com. The 2016 Annual Report for the year ended 31 December 2016 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the non-executive Director of the Company is Mr. Shum Tin Ching; the executive Directors are Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Wang Jianfeng; and the independent non-executive Directors are Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang.