瑞安房地產
SHUI ON LAND

Shui On Land Limited

瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 272)

Announcement of 2017 Annual Results

HIGHLIGHTS

- **Solid overall growth:** For 2017, the Group has achieved solid growth in many of its key financial indicators driven by improved sales margin and positive contribution from various asset divestments. Total property sales, including but not limited to property sales recognised as turnover, disposal of investment properties and equity in subsidiaries, and turnover of associates, were RMB30,296 million, an increase of 38% compared to 2016. Property sales recognised as turnover increased by 4% to RMB16,169 million, while rental and related income increased by 14% to RMB1,961 million.

- **Increase in attributable net profit:** Profit for the year was RMB2,324 million for 2017, compared to RMB1,776 million in 2016. Profit attributable to shareholders was RMB1,669 million in 2017, representing a 53% increase compared to RMB1,088 million in 2016. Core earnings after taking into account the profit generated from the disposal of investment properties and disposal of equity interests in commercial properties increased by 75% to RMB3,147 million.

- **Achieved gearing target:** The Group achieved its gearing target set in 2015, with net gearing ratio at 51% as at 31 December 2017, representing a decrease of 17 percentage points from 68% as at 31 December 2016 and a decrease of 36 percentage points from the peak of 87% as at 30 June 2015. Cash and bank deposits was RMB16,760 million at the end of the year.

- **New investments under Asset Light Strategy**: The continuous pursuit of the Asset Light Strategy has enabled the Company to realise value of its mature assets, strengthen its financial position, and form strategic partnerships which allowed us to participate in new ventures with reduced capex and financial risks. During the year the Group made three new landbank investments, including two new development sites with joint venture partners, namely Wuhan Optics Valley and RHXC Lot 167, together with a total gross floor area ("GFA") of 1,511,000 square metres ("sq.m."). We also acquired two newly completed office buildings in Yangpu District, Shanghai to both augment the future growth of our KIC project, and to expand the Group's footprint in the Shanghai office market. These investments also highlight the Group's long term commitment to the Shanghai and Wuhan markets.

- **Outlook:** The global economy staged a broad-based upturn in 2017, but the outlook this year remains uncertain in view of immense geopolitical risk, as reflected by heightened financial markets volatility in early 2018. With respect to the property market, we expect various measures affecting the residential sector such as price controls, restrictions on home purchases, and granting of sales permit will remain in place. Residential sales activities in the top tier cities are therefore expected to stay modest in the near future.

PERFORMANCE HIGHLIGHTS

	2017	2016	Year-on-Year Growth/ (Decline)
Contracted Sales			
Contracted sales (RMB'million)	21,366	22,975	(7%)
Contracted ASP for residential property (RMB per sq.m.)	45,300	35,200	29%
Selected Financial Information (RMB'million)			
Turnover	18,451	17,600	5%
Gross profit	7,858	5,905	33%
Profit for the year	2,324	1,776	31%
Profit attributable to shareholders of the Group	1,669	1,088	53%
Core earnings	3,147	1,798	75%
Selected Financial Ratios			
Gross profit margin	43%	34%	9 ppt
Net profit margin	13%	10%	3 ppt
Earnings per share (basic), RMB cents	20.8	13.6	53%

	31 December 2017	31 December 2016	Increase/ (Decrease)
Selected Balance Sheet Data (RMB'million)			
Total assets	114,292	122,213	(6%)
Cash and bank deposits	16,760	15,567	8%
Total indebtedness	41,699	47,123	(12%)
Net debt	24,939	31,556	(21%)
Total equity	49,175	46,256	6%
Net gearing (Net debt-to-equity ratio), at the end of year	51%	68%	(17 ppt)
Average cost of indebtedness, at the end of year	5.8%	6.1%	(0.3 ppt)
Landbank (GFA, million sq.m.)			
Total leasable and saleable landbank	9.5	8.6	10%
Attributable leasable and saleable landbank	5.9	7.0	(16%)

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2017**		2016	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Turnover					
- The Group	*4*	**21,329**	**18,451**	20,539	17,600
- Share of associates		**325**	**281**	392	336
		21,654	**18,732**	20,931	17,936
Turnover of the Group	*4*	**21,329**	**18,451**	20,539	17,600
Cost of sales		**(12,245)**	**(10,593)**	(13,648)	(11,695)
Gross profit		**9,084**	**7,858**	6,891	5,905
Other income	*6*	**527**	**456**	677	580
Selling and marketing expenses		**(344)**	**(298)**	(378)	(324)
General and administrative expenses		**(955)**	**(826)**	(1,037)	(889)
Operating profit	*5*	**8,312**	**7,190**	6,153	5,272
Gain on disposal of investment properties through disposal of subsidiaries		**2,029**	**1,755**	555	476
Increase in fair value of the remaining investment properties		**599**	**518**	1,372	1,176
Other gains and losses	*6*	**(688)**	**(595)**	578	495
Share of losses of associates and joint ventures		**(1,072)**	**(927)**	(337)	(289)
Finance costs, inclusive of exchange differences	*7*	**(1,955)**	**(1,691)**	(2,912)	(2,495)
Profit before taxation		**7,225**	**6,250**	5,409	4,635
Taxation	*8*	**(4,538)**	**(3,926)**	(3,336)	(2,859)
Profit for the year		**2,687**	**2,324**	2,073	1,776
Attributable to:					
Shareholders of the Company		**1,929**	**1,669**	1,270	1,088
Owners of perpetual capital securities		**531**	**459**	393	337
Owners of convertible perpetual capital securities		**132**	**114**	131	112
Non-controlling shareholders of subsidiaries		**95**	**82**	279	239
		758	**655**	803	688
		2,687	**2,324**	2,073	1,776
Earnings per share	*10*				
Basic		**HKD24.1 cents**	**RMB20.8 cents**	HKD15.9 cents	RMB13.6 cents
Diluted		**HKD23.9 cents**	**RMB20.7 cents**	HKD15.9 cents	RMB13.6 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017		2016	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Profit for the year	**2,687**	**2,324**	2,073	1,776
Other comprehensive (expense) income				
Items that may be subsequently reclassified to profit or loss:				
Exchange difference arising on translation of foreign operations	**7**	**6**	(69)	(59)
Fair value adjustments on interest rate swaps designated as cash flow hedges	**-**	**-**	6	5
Fair value adjustments on currency forward contracts designated as cash flow hedges	**(616)**	**(532)**	400	343
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**430**	**372**	(254)	(218)
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**12**	**10**	5	4
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties, net of tax	**7**	**6**	16	14
Other comprehensive (expense) income for the year	**(160)**	**(138)**	104	89
Total comprehensive income for the year	**2,527**	**2,186**	2,177	1,865
Total comprehensive income attributable to:				
Shareholders of the Company	**1,769**	**1,531**	1,374	1,177
Owners of perpetual capital securities	**531**	**459**	393	337
Owners of convertible perpetual capital securities	**132**	**114**	131	112
Non-controlling shareholders of subsidiaries	**95**	**82**	279	239
	758	**655**	803	688
	2,527	**2,186**	2,177	1,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2017** **RMB'million**	2016 RMB'million
Non-current assets			
Investment properties		**47,989**	56,620
Property, plant and equipment		**1,187**	1,845
Interests in associates		**1,030**	4,400
Interests in joint ventures		**5,839**	783
Accounts receivable, deposits and prepayments	*11*	**1,088**	737
Derivative financial instruments		**342**	460
Pledged bank deposits		**2,134**	4,024
Deferred tax assets		**992**	840
Other non-current assets		**42**	36
		60,643	69,745
Current assets			
Properties under development for sale		**18,112**	21,838
Properties held for sale		**8,058**	4,865
Accounts receivable, deposits and prepayments	*11*	**7,520**	12,492
Loans to/amounts due from joint ventures		**1,405**	6
Amounts due from related companies		**642**	808
Amounts due from customers for contract work		**126**	97
Derivative financial instruments		**-**	343
Pledged bank deposits		**19**	455
Bank balances and cash		**14,607**	11,088
		50,489	51,992
Assets classified as held for sale	*13*	**3,160**	476
		53,649	52,468
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**10,369**	18,885
Bank borrowings - due within one year		**9,596**	6,434
Senior notes		**5,781**	6,023
Amounts due to related companies		**347**	412
Amounts due to non-controlling shareholders of subsidiaries		**8**	8
Loans from a non-controlling shareholder of subsidiaries		**1,651**	-
Tax liabilities		**3,443**	2,242
Derivative financial instruments		**214**	368
Liabilities arising from rental guarantee arrangements		**177**	328
		31,586	34,700
Liabilities associated with assets classified as held for sale	*13*	**8**	-
		31,594	34,700
Net current assets		**22,055**	17,768
Total assets less current liabilities		**82,698**	87,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**2017 RMB'million**	2016 RMB'million
Capital and reserves			
Share capital	*14*	**146**	145
Reserves		**38,136**	37,305
Equity attributable to shareholders of the Company		**38,282**	37,450
Convertible perpetual securities		**1**	1
Convertible perpetual capital securities		**1,345**	1,345
Perpetual capital securities		**4,052**	3,046
Non-controlling shareholders of subsidiaries		**5,495**	4,414
		10,893	8,806
Total equity		**49,175**	46,256
Non-current liabilities			
Accounts payable and accrued charges	*12*	**-**	24
Bank borrowings - due after one year		**21,397**	23,377
Senior notes		**4,925**	11,289
Liabilities arising from rental guarantee arrangements		**551**	271
Deferred tax liabilities		**6,645**	6,274
Defined benefit liabilities		**5**	22
		33,523	41,257
Total equity and non-current liabilities		**82,698**	87,513

Notes to the consolidated financial statements:

1. General

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Financial Reporting Standards.

2. Presentation

The Hong Kong dollar figures presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.156 for 2017 and RMB1.000 to HKD1.167 for 2016, being the average exchange rates that prevailed during the respective years.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Except as described below, the application of amendments to IFRSs in the current year has 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.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") - continued

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

[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 2021

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measure at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 Financial Instruments: *Recognition and Measurement.* The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") – continued

IFRS 9 Financial Instruments - continued

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

- Loan receivables carried at amortized cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of IFRS 9;
- Except for financial assets that are subject to expected credit loss measurement, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment:

Financial assets measured at amortized cost and amounts due from customers for contract work will be subject to the impairment provision of IFRS 9.

In general, the Directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on accounts receivable and amounts due from customers for contract work. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings and increase the deferred tax assets at 1 January 2018.

Hedge accounting:

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9. Similar to the Group's current hedge accounting policy, the Directors of the Company do not intent to exclude the forward element of foreign currency forward contracts from designated hedging relationships.

Accordingly, the Directors of the Company anticipate that the application of the new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 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 or services. Specifically, the Standard 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(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") - continued

IFRS 15 Revenue from Contracts with Customers - continued

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts based on whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability must be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flow, the Group currently presents upfront prepaid lease payments as investment cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB103 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1 million and refundable rental deposit received of RMB514 million as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payment under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to the amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payment.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") - continued

IFRS 16 Leases - continued

For other new and revised IFRSs, the Directors of the Company do not expect a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

4. Turnover and Segmental Information

An analysis of the turnover of the Group and share of turnover of associates for the year is as follows:

	2017			2016		
	The Group RMB'million	**Share of associates RMB'million**	**Total RMB'million**	The Group RMB'million	Share of associates RMB'million	Total RMB'million
Property development:						
Property sales	**16,169**	**249**	**16,418**	15,604	287	15,891
Property investment:						
Rental income received from investment properties	**1,675**	**32**	**1,707**	1,474	49	1,523
Income from hotel operations	**92**	-	**92**	78	-	78
Property management fee income	**31**	-	**31**	26	-	26
Rental related income	**163**	-	**163**	138	-	138
	1,961	**32**	**1,993**	1,716	49	1,765
Construction	**194**	-	**194**	222	-	222
Others	**127**	-	**127**	58	-	58
Total	**18,451**	**281**	**18,732**	17,600	336	17,936

Operating segments are identified from the financial information provided regularly to the Group’s chief operating decision maker ("CODM") (i.e. the chief executive and the chairman of the Group) for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business.

The Group is organised based on its business activities and has the following three major reportable segments:

Property development	-	development and sale of properties
Property investment	-	offices and commercial/mall leasing, property management and hotel operations
Construction	-	construction, interior fitting-out, renovation and maintenance of building premises and provision of related consultancy services

The property development and property investment projects of the Group are located in Shanghai, Chongqing, Wuhan and Foshan, the PRC, and their revenues are primarily derived from property sales and leasing respectively. The Directors of the Group consider the various operating segments under property development and property investment segments are aggregated for financial reporting purposes because those segments have similar characteristics in terms of production process, class of customers and distribution method and are under similar economic conditions and subject to similar regulatory policies.

Included in the Group's property sales of RMB16,169 million (2016: RMB15,604 million) is revenue arising from sales of residential properties of RMB15,098 million (2016: RMB13,725 million), commercial properties of RMB529 million (2016: RMB1,412 million) and others of RMB542 million (2016: RMB467 million).

4. Turnover and Segmental Information - continued

For the year ended 31 December 2017

	Reportable segment					
	Property development RMB'million	**Property investment RMB'million**	**Construction RMB'million**	**Total RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE						
External turnover of the Group	**16,169**	**1,961**	**194**	**18,324**	**127**	**18,451**
Share of turnover of associates	**249**	**32**	**-**	**281**	**-**	**281**
Total segment revenue	**16,418**	**1,993**	**194**	**18,605**	**127**	**18,732**
SEGMENT RESULTS						
Segment results of the Group	**5,968**	**3,063**	**(14)**	**9,017**	**120**	**9,137**
Interest income						**405**
Share of losses of associates and joint ventures						**(927)**
Finance costs, inclusive of exchange differences						**(1,691)**
Other gains and losses						**(416)**
Unallocated income						**72**
Unallocated expenses						**(330)**
Profit before taxation						**6,250**
Taxation						**(3,926)**
Profit for the year						**2,324**

For the year ended 31 December 2016

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External turnover of the Group	15,604	1,716	222	17,542	58	17,600
Share of turnover of associates	287	49	-	336	-	336
Total segment revenue	15,891	1,765	222	17,878	58	17,936
SEGMENT RESULTS						
Segment results of the Group	4,469	2,431	(24)	6,876	(8)	6,868
Interest income						303
Share of losses of associates and joint ventures						(289)
Finance costs, inclusive of exchange differences						(2,495)
Other gains and losses						534
Unallocated income						24
Unallocated expenses						(310)
Profit before taxation						4,635
Taxation						(2,859)
Profit for the year						1,776

4. Turnover and Segmental Information - continued

Segment revenue represents the turnover of the Group and the share of turnover of associates.

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, Directors' salaries, interest income, share of losses of associates and joint ventures, other gains and losses except for the change in fair value of call option to buy back an investment property, impairment loss on property, plant and equipment, and finance costs inclusive of exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for resource allocation and performance assessment.

5. Operating Profit

Operating profit has been arrived at after charging (crediting):	**2017 RMB'million**	2016 RMB'million
Auditor's remuneration		
- audit services	**5**	6
Depreciation of property, plant and equipment	**108**	141
Release of prepaid lease payments	**1**	-
Less: Amount capitalised to property, plant and equipment	**-**	-
	1	-
(Gain) loss on disposal of property, plant and equipment	**(5)**	19
Employee benefits expenses		
Directors' emoluments		
Fees	**3**	2
Salaries, bonuses and other benefits	**12**	23
	15	25
Other staff costs		
Salaries, bonuses and other benefits	**590**	576
Retirement benefits costs	**39**	53
Share option expenses	**2**	3
Share award expenses	**7**	9
	638	641
Total employee benefits expenses	**653**	666
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(120)**	(139)
	533	527
Cost of properties sold recognised as an expense	**11,430**	10,892
Minimum lease payments under operating leases	**15**	19
Impairment loss on properties held for sale and properties under development for sale (included in "cost of sales")	**29**	-

6. Other Income, Other Gains and Losses

	2017 RMB'million	2016 RMB'million
Other income		
Interest income from banks	**220**	102
Interest income from associates	**94**	134
Interest income from loans to joint ventures	**58**	42
Imputed interest income on consideration receivable from disposal of a subsidiary	**33**	25
Grants received from local government	**18**	249
Others	**33**	28
	456	580

	2017 RMB'million	2016 RMB'million
Other gains and losses		
Loss arising from rental guarantee arrangements	**(458)**	(227)
Loss on early redemption of senior notes	**(235)**	-
Gain on disposal of investment properties	**156**	8
(Decrease) increase in fair value of call option to buy back an investment property	**(118)**	10
Fair value gain (loss) on other derivative financial instruments	**64**	(101)
Impairment loss on property, plant and equipment	**(61)**	(49)
Bargain purchase gain on acquisition of subsidiaries	**-**	369
Gain on deemed disposal of a joint venture	**-**	498
Loss on termination of sales of beneficial interest in certain properties	**-**	(13)
Others	**57**	-
	(595)	495

7. Finance Costs, Inclusive of Exchange Differences

	2017 RMB'million	2016 RMB'million
Interest on bank and other borrowings	**1,718**	1,824
Imputed interest of deferred consideration in relation to acquisition of a subsidiary	**82**	235
Imputed interest of deferred consideration in relation to disposal of a subsidiary	**-**	58
Interest on senior notes	**1,372**	1,424
Net interest expense from interest rate swaps designated as cash flow hedges	**-**	6
Interest on loans from non-controlling shareholders of subsidiaries	**7**	-
Total interest costs	**3,179**	3,547
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(1,344)**	(1,982)
Interest expense charged to profit or loss	**1,835**	1,565
Net exchange (gain)/ loss on bank borrowings and other financing activities	**(195)**	895
Others	**51**	35
	1,691	2,495

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.1% (2016: 5.2%) per annum to expenditure on the qualifying assets.

8. Taxation

	2017 **RMB'million**	2016 RMB'million
PRC Enterprise Income Tax		
- Current provision	**1,535**	1,393
PRC Withholding Tax		
- Current provision	**7**	5
PRC Land Appreciation Tax		
- Provision for the year	**1,959**	1,323
Deferred taxation		
- Provision for the year	**425**	138
	3,926	2,859

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax ("EIT") has been provided for at the applicable income tax rate of 25% on the assessable profits of the companies in the Group during both years.

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius, which are the beneficial owners of the dividend received. As at 31 December 2017 and 31 December 2016, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

EIT on disposal of subsidiaries is calculated at 10% of the difference between consideration and the registered capital of the relevant subsidiary incorporated in the PRC.

The provision of PRC Land Appreciation Tax is estimated per the requirements set forth in the relevant PRC tax laws and regulations. PRC Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

The current income tax provided for the current year also included applicable income taxes on transfers of equity interest in subsidiaries of the Group.

9. Dividends

	2017 **RMB'million**	2016 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2017 of HKD0.03 per share (2016: Interim dividend paid in respect of 2016 of HKD0.011 per share)	**205**	76
Final dividend paid in respect of 2016 of HKD0.039 per share (2016: Final dividend paid in respect of 2015 of HKD0.028 per share)	**270**	190
	475	266

A final dividend for the year ended 31 December 2017 of HKD0.07 (equivalent to RMB0.059 translated using the exchange rate of 0.83591 as at 31 December 2017) per share, amounting to HKD563 million (equivalent to RMB471 million translated using the exchange rate of 0.83591 as at 31 December 2017) in aggregate, was proposed by the Directors of the Company on 21 March 2018 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

10. Earnings Per Share

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

Earnings	**2017** **RMB'million**	2016 RMB'million
Earnings for the purpose of basic earnings per share, being profit for the year attributable to shareholders of the Company	**1,669**	1,088
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities (*note (c)*)	**114**	-
Earnings for the purpose of diluted earnings per share	**1,783**	1,088

Number of shares	**2017** **'million**	2016 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share (*note (a)*)	**8,018**	8,002
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities (*note (c)*)	**597**	-
Outstanding share awards	**17**	17
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,632**	8,019

Basic earnings per share (*note (b)*)	**RMB20.8cents**	RMB13.6cents
	HKD24.1cents	HKD15.9cents
Diluted earnings per share (*note (b)*)	**RMB20.7cents**	RMB13.6cents
	HKD23.9cents	HKD15.9cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting 24,854,000 shares held by a share award scheme trust.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.156 for 2017 and RMB1.000 to HKD1.167 for 2016, being the average exchange rates that prevailed during the respective years.

(c) During the year ended 31 December 2016, there were no dilution effect for the convertible perpetual capital securities as the full conversion of convertible perpetual capital securities into ordinary shares of the Company will not result in a decrease in profit per ordinary share of the Company.

(d) There were no dilution effects from outstanding share options and warrants as the exercise prices of each of these share options and warrants were higher than the average market price of the Company's shares per share for the years ended 31 December 2017 and 2016.

11. Accounts Receivable, Deposits and Prepayments

	2017 **RMB'million**	2016 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	**277**	263
Trade receivables	**87**	126
Deposits for acquisition of a subsidiary	**630**	-
Prepayments of relocation costs (*note*)	**-**	292
Other receivables	**94**	56
	1,088	737
Current accounts receivable comprise:		
Trade receivables	**230**	663
Prepayments of relocation costs (*note*)	**6,004**	9,700
Other deposits, prepayments and receivables, mainly including prepaid value added tax of RMB60 million (2016: RMB45 million)	**831**	1,003
Receivables from disposals of subsidiaries	**380**	1,081
Rental receivable in respect of rent-free periods	**75**	45
	7,520	12,492

Note:

The amount represents monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 93% and 4% (2016: 89% and 10%) of the total outstanding balance are paid to two of the relocation agents.

The balances represent the amounts that will be capitalised to properties under development for sale and investment properties as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets. The balances are not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements;

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and

(iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customer.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB317 million (2016: RMB789 million), of which 44% (2016: 44%) are aged less than 90 days, and 56% (2016: 56%) are aged over 90 days, as compared to when revenue was recognised.

11. Accounts Receivable, Deposits and Prepayments – continued

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of RMB171 million (2016: RMB502 million) which is past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 47% (2016: 8%) are past due within 90 days, and 53% (2016: 92%) are past due over 90 days, based on the repayment terms set out in the sales and purchase agreements. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the date of the reporting period. Allowance for bad and doubtful debts are generally not required for rental receivables as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

Other receivables as at 31 December 2017 included an advance to the government authority in Shanghai of RMB119 million (2016:RMB200 million). The amount is unsecured, interest-bearing at 6.1% per annum and repayable on date of completion of relocation work for certain land lots located in Shanghai the PRC. The Directors of the Company expect that such advance will be repaid within twelve months from the end of the reporting period and is therefore classified as current asset.

12. Accounts Payable, Deposits Received and Accrued Charges

	2017	2016
	RMB'million	RMB'million
Current portion comprise:		
Trade payables	**3,505**	4,374
Relocation cost payables	**1,552**	852
Retention payables (*note*)	**381**	532
Deed tax, business tax and other tax payables	**353**	377
Deposits received and receipt in advance from property sales	**2,889**	8,347
Deposits received and receipt in advance in respect of rental of investment properties	**603**	580
Deposits received from disposal of associates	**343**	-
Value-added tax payable	**90**	305
Deferred consideration of acquisition of subsidiaries	**-**	2,845
Other payables and accrued charges	**653**	673
	10,369	18,885
Non-current portion comprise:		
Accounts payable and accrued charges	**-**	24

Note: Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB3,505 million (2016: RMB4,374 million), of which 89% (2016: 68%) are aged less than 30 days, 1% (2016: 16%) are aged between 31 to 60 days, and 10% (2016: 16%) are aged more than 90 days, based on invoice date.

Deposits received and receipt in advance from property sales amounting to RMB675 million (2016: RMB673 million) are expected to be released to profit or loss more than twelve months after the end of the reporting period.

13. Assets Classified As Held For Sale

On 14 November 2017, Innovate Zone Group Limited ("Innovate Zone"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Many Gain International Limited ("Many Gain") and Yida China Holding Limited ("Yida"), in relation to the sale of 61.54% of the issued share capital and the related loans to Richcoast Group Limited ("Richcoast"), an associate of the Group for the consideration of RMB3,160 million.

The Directors of the Company believe that it is highly probable that the disposal will be completed within twelve months from the date when the assets are classified as held for sale, and therefore the related assets and liabilities have been classified as "assets classified as held for sale" as at 31 December 2017, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinue Operations.*

Assets classified as held for sales and related liabilities are as follows:

	RMB'million
Assets classified as held for sale	
Interests in associates	-
Loans to associates	1,805
Amounts due from associates	1,355
	3,160
Liabilities classified as held for sale	
Accounts payables, deposits received and accrued charges	(8)

During the year ended 31 December 2017, deposits amounting to RMB343 million was received.

During the year ended 31 December 2016, the Group entered into an agreement with an independent third party to sell a hotel located in Shanghai, which was classified as a completed investment property, for a cash consideration after the deduction of value-added tax of RMB476 million. The hotel was classified as "assets classified as held for sale" in accordance with IFRS 5 *Non-current Assets Held for sales and Discontinue operations*. The disposal was completed during the year ended 31 December 2017.

14. Share Capital

	Authorised		Issued and fully paid	
Ordinary shares of USD0.0025 each	Number of shares	USD'000	Number of shares	USD'000
At 1 January 2016, 31 December 2016 and 1 January 2017	12,000,000,000	30,000	8,026,630,189	20,066
Exercise of share options	-	-	293,400	1
Issue of shares in lieu of cash dividends	-	-	34,380,935	86
At 31 December 2017	**12,000,000,000**	**30,000**	**8,061,304,524**	**20,153**

	2017	2016
	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**146**	145

The new shares rank pari passu with the existing shares in all respects.

15. Events after the Reporting Period

The Group has the following events after the reporting period:

a) On 20 December 2017, Shanghai Ze Chen Real Estate Co., Limited (an indirect wholly-owned subsidiary of the Company) (the "Purchaser"), entered into the sale and purchase agreement with C&D Real Estate Corporation Limited (the "Seller") whereby the Seller has agreed to sell and the Purchaser has agreed to acquire the entire equity interests in and the shareholder's loans to the Shanghai Xin Wan Jing Property Limited for a total consideration of RMB1,144 million with RMB630 million paid and included in accounts receivable, deposits and prepayments. Upon fulfilment of certain conditions, the transaction was completed in January 2018.

b) On 2 March 2018, SODH issued RMB 1,600 million senior notes to independent third parties with a maturity of three years due on 2 March 2021 (the "2021 RMB Notes"). The 2021 RMB Notes bear coupon at 6.875% per annum, payable semi-annually in arrears.

BUSINESS REVIEW

Property Sales

Recognised Property Sales

For 2017, total property sales, including property sales recognised as turnover, disposal of investment properties, disposal of property, plant and equipment, disposal of equity in subsidiaries holding commercial properties and turnover of associates, were RMB30,296 million (after deduction of applicable taxes), representing an increase of 38%. Average Selling Price ("ASP") (excluding other asset disposal) increased by 50% to RMB40,300 per sq.m..

Property sales (after deduction of applicable taxes) recognised as turnover increased by 4% to RMB16,169 million, on a total GFA sold of 995,900 sq.m.. This included revenue amounting to RMB3,229 million for a total GFA of 703,500 sq.m. (representing a 99% interest held by the Group) arising from the disposal of 79.2% interest in the residential inventories on certain land parcels at the Chongqing Tiandi ("Chongqing Partnership Portfolio – Residential Inventories Portion").

Property sales recognised as disposal of investment properties was RMB1,144 million, comprising the sale of a hotel at Shanghai RHXC Lot 3 and street front shops at The Palette 1 and The Palette 2 at Shanghai RHXC.

Property sales recognised as disposal of subsidiaries holding commercial properties amounted to RMB12,442 million, of which RMB2,527 million (representing a 99% interest held by the Group) were from the disposal of the Group's 79.2% interest in certain commercial properties at Chongqing Tiandi ("Chongqing Partnership Portfolio - Commercial Portion"), and RMB9,915 million (representing a 99% interest held by the Group) from the disposal of 21.4% equity interest in Shanghai Rui Hong Xin Cheng Co., Ltd. ("Shanghai RHXC"). The 21.4% equity interest in Shanghai RHXC represents a 49.5% equity interest in a commercial portfolio comprised of developed investment properties; Hall of the Moon (Lot 3), Hall of the Stars (Lot 6) and The Palette 3 (Phase II Shopping Centre), as well as land parcels under development, namely Hall of the Sun (Lot 10), at Shanghai RHXC ("RHXC Commercial Partnership Portfolio").

The Chongqing Partnership Portfolio transaction was completed on 29 June 2017. Accordingly, the Group held a 19.8% interest in the Chongqing Partnership Portfolio and a 99% interest in the remaining properties at Chongqing Tiandi as at 31 December 2017.

The RHXC Commercial Partnership Portfolio transaction was completed on 27 December 2017. The Group held a 49.5% interest in the RHXC Commercial Partnership Portfolio, with China Life holding 49.5% and Shanghai Hong Fang (Group) Company Limited ("Hong Fang") holding 1% as at 31 December 2017. The Group also held a 99% interest in the remaining properties at Shanghai RHXC as at 31 December 2017.

Recognised property sales for Dalian Tiandi was RMB520 million, and its related profit or loss was reflected in the share of results of associates.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2017 and 2016:

	2017			2016		
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	**Sales revenue**	**GFA sold**	**ASP[1]**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential	1,963	14,700	141,500	3,698	29,400	132,800
3 Corporate Avenue	-	-	-	5,700	87,300	65,300
Shanghai RHXC						
Residential	7,609	90,000	89,400	3,618	53,600	73,400
Retail	671	16,400	43,200	47	1,000	50,000
Hotel	473	15,500	32,300	-	-	-
Shanghai KIC						
KIC Corporate Avenue Office	-	-	-	105	4,800	22,900
KIC Corporate Avenue Retail	-	-	-	3	200	15,000
Wuhan Tiandi						
Site B Residential	1,154	40,600	30,100	2,906	88,700	34,700
3 Corporate Avenue	-	-	-	1,074	55,100	20,600
Chongqing Tiandi						
Residential[2]	1,041	113,800	9,700	1,221	151,400	10,400
Office & Retail	373	24,200	16,400	236	12,100	20,700
Foshan Lingnan Tiandi						
Residential	102	5,200	20,800	631	51,700	13,000
Retail	156	3,900	42,300	75	6,900	11,400
Subtotal	**13,542**	**324,300**	**44,200**	**19,314**	**542,200**	**28,500**
Carparks and others	563	-	-	206	-	-
Dalian Tiandi[3]						
Mid-/high-rises	430	55,200	9,200	530	73,200	7,700
Villas	66	6,100	11,500	68	5,100	14,100
Carpark	24	-	-	-	-	-
Subtotal	**14,625**	**385,600**	**40,300**	**20,118**	**620,500**	**26,900**
Other asset disposal:						
Shanghai RHXC[4]	9,915	393,500		-	-	
Chongqing Tiandi[5]						
Residential inventories	3,229	703,500		-	-	
Commercial	2,527	555,700		-	-	
Foshan Lingnan Tiandi (Lot 4)	-	-		1,842	231,500	
Grand total	**30,296**	**2,038,300**		**21,960**	**852,000**	
Recognised as:						
- property sales in turnover of the Group[6]	16,169	995,900		15,604	684,700	
- disposal of investment properties[7]	1,144	31,900		58	1,700	
- disposal of property, plant and equipment	21	-		-	-	
- disposal of equity in subsidiaries holding commercial properties	12,442	949,200		5,700	87,300	
- turnover of associates	520	61,300		598	78,300	
Total	**30,296**	**2,038,300**		**21,960**	**852,000**	

[1] *The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of business/value-added tax and other surcharges/taxes.*

[2] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.*

[3] *Dalian Tiandi is a project developed by associates of the Group.*

[4] *The disposal was accounted for as disposal of equity in subsidiaries holding commercial properties. Sales revenue from the disposal amounted to RMB9,915 million, representing a 99% interest held by the Group.*

[5] *The disposal was partially accounted for as a sale of property inventories in the ordinary course of the Group's property business. Revenue from the sale of properties under development for sale amounted to RMB3,229 million, representing a 99% interest held by the Group. The remaining sales of RMB2,527 million represents "Disposal of equity in disposal of subsidiaries holding commercial properties".*

[6] *Sales of commercial properties are recognised as "turnover" if the properties concerned are designated for sale prior to the commencement of development.*

[7] *Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".*

Contracted Property Sales and Other Asset Disposal

The Group achieved its total sales target of RMB21 billion during 2017, which amounted to RMB21,366 million. Of the total, residential property sales accounted for 41%, other asset disposal accounted for 51%, with the remaining 8% contributed by commercial property sales. The ASP of residential property sales increased by 29% to RMB45,300 per sq.m. in 2017, compared to RMB35,200 per sq.m. in 2016.

Contracted property sales from residential properties and carparks (including those from Dalian associates) was RMB8,676 million, a decrease of 47% over RMB16,300 million in 2016, due mainly to continued control measures imposed by the Chinese government to stabilise the property market, resulting in fewer residential apartments being launched for sale in Shanghai during 2017. However, the launch of the second batch of The Gallery (Lot 2) at Shanghai RHXC, recorded outstanding sales performance with a 92% sale through rate on the first day of launch. The ASP reached RMB103,000 per sq.m., an increase of 9.6% compared to the previous launch.

Contracted commercial property sales for 2017 was RMB1,739 million for a total GFA of 53,700 sq.m.. The major contributions were from disposals of street front shops (The Palette 2 retail) and a hotel at Shanghai RHXC, as well as retail spaces at the Chongqing and Foshan projects.

The following property sales were recorded as other asset disposal. These transactions allowed the Group to unlock value in these assets at a substantial profit, and are aligned with the Group's Asset Light Strategy to enhance shareholders' return by cooperating with strategic partners to create synergies.

On 26 May 2017, the Group sold a 79.2% interest in the Chongqing Partnership Portfolio for a total consideration of RMB4,133 million to Vanke. The Chongqing Partnership Portfolio transaction was completed on 29 June 2017.

On 30 September 2017, the Group sold its 49% equity interest in the KIC project to China Life for a total consideration of RMB2,949 million. The transaction was completed on 11 December 2017. After completion, the Group held a 51% equity interest in two subsidiaries which partially owned the KIC project. Accordingly, as at 31 December 2017, the Group has an effective equity interest of 50.49% in 5-7 KIC Corporate Avenue, 1-3 KIC Corporate Avenue retail and Lot 311 Hotel, as well as a 44.27% equity interest in the remaining KIC project portfolios, being KIC Village R1 & R2, 1-3 and 5-12 KIC Plaza and KIC Village 12-8.

On 19 December 2017, the Group sold a 21.4% equity interest in Shanghai RHXC for a total consideration of RMB3,869 million to China Life, representing a 49.5% equity interest of the RHXC Commercial Partnership Portfolio. The RHXC Commercial Partnership Portfolio transaction was completed on 27 December 2017.

In addition, the Group and China Life also entered into a strategic cooperation agreement on 19 December 2017 to jointly invest in real estate projects in China.

On 14 November 2017, the Group entered into an agreement in relation to the disposal of 61.54% interest in Richcoast, the offshore loans and onshore debts in Dalian project, which represented the entire interest of the Group in the Dalian project, for a total consideration of RMB3,160 million. Prior to the transaction date, Richcoast partially held Dalian Tiandi indirectly through various subsidiaries; as a result, the Group had a 48% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group had a 44.72% effective interest. Upon completion of the transaction, the Group will no longer have any interests in the Dalian project. As the transaction is yet to be completed, it was counted as subscribed sales as at 31 December 2017. Together with residential property sales, the total subscribed sales of the Group as at 31 December 2017 was RMB3,811 million.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2017 and 2016:

Project	2017 Contracted amount	2017 GFA sold	2017 ASP	2016 Contracted amount	2016 GFA sold	2016 ASP
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao						
Lakeville Luxe (Lot 116)	1,389	9,500	146,200	4,375	32,600	134,200
Shanghai RHXC	4,529	44,700	101,300	7,324	85,700	85,500
Wuhan Tiandi						
Site B Residential	-	-	-	1,586	49,600	32,000
Chongqing Tiandi						
Residential [1]	764	41,800	22,300	1,529	161,500	11,500
Foshan Lingnan Tiandi						
Residential	99	4,600	21,500	436	32,300	13,500
Dalian Tiandi [2]						
Mid-/high-rises	1,150	88,200	13,000	837	95,300	8,800
Villas	34	2,900	11,700	74	6,600	11,200
Carparks and others	711	-	-	139	-	-
Subtotal for residential property sales	**8,676**	**191,700**	**45,300**	**16,300**	**463,600**	**35,200**
Commercial property sales:						
Shanghai RHXC						
Lot 9 Retail	111	2,100	52,900	-	-	-
Lot 3 Hotel	500	15,500	32,300	-	-	-
The Palette 2	579	11,700	49,500	-	-	-
The Palette 1	-	-	-	130	4,700	27,700
Shanghai KIC						
Retail	-	-	-	3	200	15,000
Office	-	-	-	110	4,800	22,900
Wuhan Tiandi						
3 Corporate Avenue (Lot A3 Office)	-	-	-	1,134	55,100	20,600
Lot A1 Office	-	-	-	3,365	177,100	19,000
Chongqing Tiandi						
Office	59	4,700	12,600	89	7,200	12,400
Retail	337	16,700	20,200	87	4,600	18,900
Foshan Lingnan Tiandi						
Retail	132	3,000	44,000	50	1,800	27,800
Carparks and others	21	-	-	14	-	-
Subtotal for commercial property sales	**1,739**	**53,700**	**32,400**	**4,982**	**255,500**	**19,500**
Other asset disposal:						
Shanghai RHXC	3,869			-		
Shanghai KIC	2,949			-		
Chongqing Tiandi	4,133			-		
Foshan Lingnan Tiandi (Lot 4)	-			1,693		
Subtotal for other asset disposal	**10,951**			**1,693**		
Grand total	**21,366**			**22,975**		

[1] ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

[2] Dalian Tiandi is a project developed by associates of the Group. On 14 November 2017, the Group entered into the agreement in relation to the disposal of 61.54% share interest of Richcoast, the offshore loans and onshore debts in Dalian project and upon completion, the Group will no longer have any interests in Dalian Tiandi.

Residential GFA Available for Sale and Pre-sale in 2018

The Group has approximately 405,500 sq.m. of residential GFA spanning six projects which, subject to obtaining pre-sale permits and other relevant government approvals, is available for sale and pre-sale during 2018, as summarised below:

Project				**Available for sale and pre-sale in 2018**
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao	Lakeville Luxe (Lot 116) (High-rises)	42,500	98%	41,700
Shanghai RHXC	High-rises	21,300	99%	21,100
Wuhan Tiandi	High-rises	27,400	100%	27,400
Foshan Lingnan Tiandi	Townhouses, Low-rises and High-rises	71,000	100%	71,000
Wuhan Optics Valley	High-rises	79,400	50%	39,700
Chongqing Tiandi	High-rises	163,900	19.8%	32,500
Total[1]		**405,500**		**233,400**

[1] *On 14 November 2017, the Group entered into the agreement in relation to the disposal of 61.54% share interest of Richcoast, the offshore loans and onshore debts in Dalian project and upon completion, the Group will no longer have any interests in Dalian Tiandi. Otherwise, there would be a total GFA of 46,800 sq.m. available for sale and pre-sale from Dalian Tiandi, in which the Group would have an effective interest of 44.72% in Lot C03 with a total GFA of 4,000 sq.m. and 48% in the remaining lots.*

By way of a cautionary note, the actual market launch dates depend on and will be affected by factors such as construction progress, changes in market environments, and changes in government regulations.

Property Development Progress

Property Completed in 2017 and Development Plans for 2018 and 2019

The table below summarises the projects with construction completed in 2017 and construction work that is planned for completion in 2018 and 2019:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
Actual delivery in 2017								
Shanghai Taipingqiao	47,000	-	-	-	47,000	33,000	80,000	98.00%
Shanghai RHXC	104,000	-	1,000	-	105,000	44,000	149,000	99.00%
Chongqing Tiandi	111,000	-	11,000	-	122,000	59,000	181,000	99.00%
Wuhan Tiandi	41,000	-	72,000	-	113,000	77,000	190,000	100.00%
Dalian Tiandi	26,000	-	13,000	13,000	52,000	20,000	72,000	44.72%
Total	**329,000**	**-**	**97,000**	**13,000**	**439,000**	**233,000**	**672,000**	
Planned for delivery in 2018								
Shanghai Taipingqiao	-	-	28,000	-	28,000	-	28,000	62.49%
Total	**-**	**-**	**28,000**	**-**	**28,000**	**-**	**28,000**	
Planned for delivery in 2019								
Foshan Lingnan Tiandi	67,000	-	7,000	-	74,000	23,000	97,000	100.00%
Wuhan Optics Valley	122,000	-	-	-	122,000	-	122,000	50.00%
Chongqing Tiandi	206,000	-	5,000	-	211,000	72,000	283,000	19.80%
Total	**395,000**	**-**	**12,000**	**-**	**407,000**	**95,000**	**502,000**	

By way of a cautionary note, the actual completion date depends on and will be affected by construction progress, changes in the market environments, changes in government regulations and other factors.

The following section provides further details of the development progress and completion of each of the projects located in Shanghai, Wuhan, Chongqing, Foshan and Dalian

Shanghai Taipingqiao
Lakeville Luxe (Lot 116) has a total residential apartment GFA of 94,000 sq.m., the first batch of which was launched in December 2015 and was well received by the market. A total GFA of 47,000 sq.m. was completed and has been progressively delivered to the buyers since December 2016 while the remaining portion was completed in the second half of 2017 ("2H 2017"), and is planned for launch in 2018.

Lakeville Phase 5 (Lot 118) will start construction work in the first half of 2018 ("1H 2018").

The retail space with a total GFA of 28,000 sq.m. at Shui On Plaza is under Asset Enhancement Initiatives ("AEI"), which is expected to complete in 1H 2018.

Shanghai RHXC
The Gallery (Lot 2), with a total GFA of 104,000 sq.m. of residential and 1,000 sq.m. of ancillary retail space, was completed in the first half of 2017 ("1H 2017"). The first batch with a total GFA of 40,000 sq.m. was launched for pre-sale in June 2016. Its second batch, with a total GFA of 44,000 sq.m., was launched for pre-sale in April 2017. As at 31 December 2017, a total GFA of 56,000 sq.m. has been delivered to buyers, with the remaining GFA of 28,000 sq.m. to be delivered in 1H 2018. The third batch with a total GFA of 20,000 sq.m. is scheduled for launch in 2018.

The hotel at Lot 3, with a total GFA of 15,500 sq.m., was contracted for sale in January 2017 for a total consideration of RMB500 million and delivered in 1H 2017. The Palette 2 (Phase 4 retail), with a total leasable GFA of 11,700 sq.m. and 71 car parking lots, was contracted for sale in April 2017 for a total consideration of RMB600 million and delivered in 1H 2017.

The grand opening of Hall of the Moon (Ruihong Tiandi Lot 3) was held in June 2017. It commenced operations in December 2016, with a total leasable GFA of 64,000 sq.m. in the retail podium. Its anchor tenants include G-Super, H&M, UNIQLO, Modern Sky and Emperor UA Cinema. The occupancy rate was 91% as at 31 December 2017.

Hall of the Sun (Ruihong Tiandi Lot 10) with a total leasable GFA of 338,000 sq.m. has completed relocation and started construction in 2017. It will be developed into a commercial complex with two Grade-A office buildings and a shopping mall.

On 9 August 2017, the Group, entered into an agreement to set up a joint venture company ("JV Company") to develop a plot of land, namely Lot 167 in Shanghai Hongkou District ("Lot 167"). Lot 167 has a developable leasable and saleable GFA of approximately 230,000 sq.m.. It is expected that 36% will be for residential development purposes while 64% will be for commercial development purposes. Relocation activities commenced in August 2017.

Shanghai KIC
The development in Shanghai KIC was completed with a total leasable GFA of 249,000 sq.m.. The occupancy rate for office and retail components reached 97% and 93% respectively as at 31 December 2017.

Wuhan Tiandi
Park View (Lot B5), with a total GFA of 41,000 sq.m. for residential apartments was launched for pre-sale in December 2015 and was delivered in 2H 2017. Park Place (Lot B4/5 Retail) with a total GFA of 72,000 sq.m. for retail use was completed in 2H 2017.

HORIZON (a shopping mall at Lots A1/A2/A3) with a total GFA of 114,000 sq.m. commenced operation in September 2016, with major tenants such as Cinema PALACE, King of Party, and Skyland Food Court. The occupancy rate was higher at 89% as at 31 December 2017, compared to 79% as at 31 December 2016.

Wuhan Optics Valley
On 24 January 2017, Hua Xia Rising, a joint venture company owned 50% indirectly by the Group and 50% by CITIC Limited ("CITIC"), made a successful bid for a land in East Lake High-tech Development Zone, Wuhan. Total land cost was RMB2,298 million for a total GFA of 1,279,000 sq.m.. Construction work of the first phase is expected to commence in early 2018.

Chongqing Tiandi
Lake Ville Phase 2 (Lot B6) with a total GFA of 111,000 sq.m. for residential use and 11,000 sq.m. for retail use was completed and has been progressively delivered to buyers since 2H 2017.

Lot B15 for residential use, in which the Group holds a 19.8% equity interest, was launched in December 2017 with an ASP[1] of RMB22,700 per sq.m.. The construction work will be completed in 2019.

Foshan Lingnan Tiandi
NOVA (a shopping mall) with a GFA of 73,000 sq.m. commenced operation in April 2016, with occupancy rate reaching 97% as at 31 December 2017, a 13 percentage point improvement from 84% as at 31 December 2016.

Lot E Office with a total GFA of 16,000 sq.m., has an occupancy rate of 75% as at 31 December 2017. It has attracted tenants including HUAWEI and ICBC-AXA.

Lots 2&3 with a total GFA of 67,000 sq.m. of residential space is expected to be launched in phases in 2018.

Dalian Tiandi
At Hekou Bay (Site A of Dalian Tiandi), Lot C03 with a total GFA of 26,000 sq.m. of residential apartments and 13,000 sq.m. of serviced apartments, was completed in 1H 2017. Three new batches of residential units were launched in 2017. Lot B10b at Hekou Bay with a total GFA of 50,000 sq.m. for residential use was launched for pre-sale since May 2017. Lot E02b at Huangnichuan with a total GFA of 47,000 sq.m. for residential use was launched for pre-sale in September and October 2017.

By way of a cautionary note, the actual completion date and launch date depend on and will be affected by construction progress, changes in market environments, changes in government regulations and other factors. The Group plans its project construction in advance while adapting to government policy changes, as well as implemented operational tactics to enhance turnover and increase development efficiency. The Group will nevertheless, adjust the progress of construction, delivery plan and launch schedules, in accordance with the sales conditions of each project, and with respect to the rapid changing market conditions.

[1] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.*

Investment Property

Rental and related income (including income from hotel operations) increased by 14% to RMB1,961 million in 2017 compared to 2016. Excluding the income from hotel operations, the sum of RMB1,869 million was generated by rental and related income from the investment properties, representing a growth rate of 14%. The strong growth reflected continued leasing progress made at the progressively commenced operations of the three newly opened shopping malls in Wuhan, Foshan and Shanghai, as well as improved rental from mature investment properties.

Occupancy levels of the office property portfolio remained stable. Our office developments are mainly located in central Shanghai.

Occupancy levels of the completed retail portfolio also increased, mainly led by robust leasing activities at the three new shopping malls, being NOVA at Foshan Lingnan Tiandi, HORIZON at Wuhan Tiandi and Hall of the Moon at Shanghai RHXC project. Occupancy rates of these three operating properties reached 97%, 89% and 91% respectively as at 31 December 2017, with tenants progressively moving in since 2016.

Rental income and the related profit or loss from investment properties located in Dalian Tiandi was reflected in share of results of associates.

The table below provides an analysis of the rental and related income from investment properties for 2017 and 2016 and the percentage of leases in GFA by property with lease expiring from 2018 to 2020:

Project	Product	Leasable GFA	Rental & related income RMB'million			Year on year change %		Leases expire in % of GFA		
		sq.m.	**2017**	**2016**	**2015**	**2017**	**2016**	**2018**	**2019**	**2020**
Shanghai Taipingqiao										
Shanghai Xintiandi	**Office/ Retail**	54,000	410	360	302	14%	19%	24%	34%	31%
Xintiandi Style	**Retail**	26,000	88	82	82	7%	0%	38%	21%	39%
1 & 2 Corporate Avenue[1]	**Office/ Retail**	-	-	-	177	-	-	-	-	-
3 Corporate Avenue[2]	**Office**	-	-	15	76	-	(80%)	-	-	-
Shui On Plaza[3]	**Office/ Retail**	24,000	99	153	146	(35%)	5%	18%	28%	44%
THE HUB	**Office/ Retail**	263,000	326	269	186	21%	45%	8%	8%	28%
Shanghai RHXC[4]	**Retail**	400[5]	144	97	73	48%	33%	-	-	-
Shanghai KIC[6]	**Office/ Retail/ Hotel**	240,000	378	349	270	8%	29%	28%	35%	15%
Wuhan Tiandi	**Retail**	160,000	220	144	92	53%	57%	10%	20%	10%
Chongqing Tiandi	**Retail**	134,000	46	49	40	(6%)	23%	11%	5%	21%
Foshan Lingnan Tiandi[6]	**Retail**	151,000	158	120	95	32%	26%	5%	16%	16%
Total		**1,052,400**	**1,869**	**1,638**	**1,539**	**14%**	**6%**	**15%**	**20%**	**21%**

[1] *1 & 2 Corporate Avenue were disposed of on 31 August 2015.*

[2] *3 Corporate Avenue was disposed of on 2 February 2016.*

[3] *A total GFA of 8,000 sq.m. located at Shanghai Shui On Plaza was occupied as offices by the Group. The drop of 35% of rental income in 2017 compared to 2016 was mainly due to the AEI of the retail space with a total GFA of 28,000 sq.m., which is classified as properties under development as at 31 December 2017.*

[4] *On 27 December 2017, the disposal of 49.5% equity interest in the RHXC Commercial Partnership Portfolio was completed and the completed properties of RHXC Commercial Partnership Portfolio with a total GFA of 111,000 sq.m. is no longer consolidated by the Group. Therefore, rental and related income for the RHXC Commercial Partnership Portfolio was recognised and reflected as of 27 December 2017.*

[5] *A total GFA of 400 sq.m. is the remaining consolidated investment portfolio at Shanghai RHXC as at 31 December 2017 after the disposal of 49.5% equity interest in the RHXC Commercial Partnership Portfolio.*

[6] *A total GFA of 7,000 sq.m. located at Shanghai KIC and a total GFA of 2,000 sq.m. located at Foshan Lingnan Tiandi were occupied by the Group.*

The table below summarises the portfolio of completed investment properties together with their respective occupancy rates:

	Leasable GFA (sq.m.)				Occupancy rate		
Project	**Office**	**Retail**	**Hotel**	**Total**	**31 December 2017**	**31 December 2016**	**Group's interest**
Completed before 2017							
Shanghai Taipingqiao							
Shanghai Xintiandi	4,000	43,000	-	47,000	100%	99%	78.11%
THE HOUSE	-	7,000	-	7,000	100%	100%	78.11%
Xintiandi Style	-	26,000	-	26,000	94%	99%	77.33%
Shui On Plaza	32,000	-	-	32,000	97%	100%	62.49%[1]
THE HUB							
Office Towers 1, 2, 3 and 5	93,000	4,000	-	97,000	98%	95%	78.11%
Mall and Xintiandi[2]	-	147,000	-	147,000	93%	79%	78.11%
Performance Center	-	19,000	-	19,000	100%	N/A	78.11%
Shanghai RHXC							
The Palette 3	-	28,000	-	28,000	95%	100%	49.50%
Hall of the Stars (Ruihong Tiandi Lot 6)	-	19,000	-	19,000	95%	97%	49.50%
Hall of the Moon (Ruihong Tiandi Lot 3)	-	64,000	-	64,000	91%	61%	49.50%
Shanghai KIC							
1-3 and 5-12 KIC Plaza	95,000	42,000	-	137,000	96%	89%	44.27%
KIC Village R1 and R2	11,000	11,000	-	22,000	97%	93%	44.27%
5, 6 and 7 KIC Corporate Avenue	53,000	8,000	-	61,000	94%	94%	50.49%
KIC Village 12-8	5,000	-	-	5,000	100%	100%	44.27%
Lot 311 Hotel	-	-	22,000	22,000	97%	N/A	50.49%
Wuhan Tiandi							
Wuhan Xintiandi	-	46,000	-	46,000	85%	95%	78.11%
HORIZON (Lots A1/2/3 Retail)	-	114,000	-	114,000	89%	79%	100.00%
Chongqing Tiandi							
The Riviera I, II & III	-	6,000	-	6,000	98%	98%	99.00%
Chongqing Tiandi (Lot B3/01)	-	49,000	-	49,000	90%	83%	99.00%
2, 6, 7 and 8 Corporate Avenue Retail	-	79,000	-	79,000	42%	84%	99.00%
Foshan Lingnan Tiandi							
Lingnan Tiandi (Phases 1 and 2)	-	49,000	-	49,000	86%	82%	100.00%
NOVA	-	73,000	-	73,000	97%	84%	100.00%
Lot E Office	16,000	-	-	16,000	75%	N/A	100.00%
Shui On New Plaza (Lot D retail podium)	-	15,000	-	15,000	2%	2%	100.00%
Dalian Tiandi							
Aspen and Maple Towers (Site D22)	42,000	-	-	42,000	79%	77%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	-	-	52,000	80%	77%	48.00%
Ambow (Training School)	113,000	-	-	113,000	100%	100%	48.00%
IT Tiandi (D10 Retail)	-	41,000	-	41,000	60%	53%	48.00%
Subtotal	516,000	890,000	22,000	1,428,000			
New completion in 2017							
Wuhan Tiandi							
Park Place (Lot B4/5)	-	72,000	-	72,000			100.00%
Subtotal	-	72,000	-	72,000			
As at 31 December 2017, investment properties held by:							
- Subsidiaries of the Group	309,000	810,000	22,000	1,141,000			
- Joint venture	-	111,000	-	111,000			
- Associated companies	207,000	41,000	-	248,000			
Total leasable GFA as at 31 December 2017	**516,000**	**962,000**	**22,000**	**1,500,000[3]**			
Total leasable GFA as at 31 December 2016	**500,000**	**918,000**	**22,000**	**1,440,000[3]**			

[1] *The Group has a 62.49% interest in Shui On Plaza, except for a GFA of 2,000 sq.m. at the Shui On Plaza 15th floor, in which the Group has an effective interest of 78.11%.*

[2] *Including retail space in the basement.*

[3] *Self-use properties are classified as property, plant and equipment in the consolidated statement of financial position.*

The table below summarises the carrying value of the remaining investment properties at valuation as at 31 December 2017 together with the change in fair value for 2017:

Project	Leasable GFA	Increase /(decrease) in fair value for 2017	Carrying value as at 31 December 2017	Carrying value per GFA	Valuation gain /(loss) to carrying value
	sq.m.	RMB'million	RMB'million	RMB per sq.m.	%
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	80,000	145	7,473	93,400	1.9%
Shui On Plaza - Office	24,000	12	1,883	78,500	0.6%
THE HUB	263,000	(189)	8,921	33,900	(2.1%)
Shanghai RHXC[1]	400	40	15	37,500	N/A
Shanghai KIC	240,000	330	7,436	31,000	4.4%
Wuhan Tiandi	232,000	90	7,086	30,500	1.3%
Chongqing Tiandi	134,000	43	1,726	12,900	2.5%
Foshan Lingnan Tiandi	151,000	38	4,324	28,600	0.9%
Subtotal	**1,124,400**	**509**	**38,864**	**34,600**	**1.3%**
Investment properties under development at valuation					
Shanghai Taipingqiao					
Shui On Plaza - Retail	28,000	9	1,772	63,300	0.5%
Subtotal	**28,000**	**9**	**1,772**	**63,300**	**0.5%**
Total of the remaining investment properties at valuation	**1,152,400**	**518**	**40,636**	**35,300**	**1.3%**

[1] *On 27 December 2017, the disposal of 49.5% equity interest in the RHXC Commercial Partnership Portfolio was completed and the RHXC Commercial Partnership Portfolio is no longer consolidated by the Group. A total GFA of 400 sq.m. is the remaining consolidated investment portfolio at Shanghai RHXC as at 31 December 2017. RMB40 million reflected the increase in fair value from the RHXC Commercial Partnership Portfolio in 1H 2017.*

Note: Hotels for operation and self-use properties are classified as property, plant and equipment in the consolidated statement of financial position, and leasable GFA of which is excluded from this table.

The carrying value of the completed investment properties (excluding hotels for operation and self-use properties) with a total GFA of 1,124,400 sq.m. was RMB38,864 million as of 31 December 2017. Of this sum, RMB509 million (representing 1.3% of the carrying value) arose from increased fair value during 2017. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 66%, 18%, 5% and 11% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 28,000 sq.m. was RMB1,772 million as at 31 December 2017.

Except for the above-mentioned investment properties at valuation, the carrying value of the investment properties under development and for further development at cost was RMB7,353 million.

Landbank

As at 31 December 2017, the Group’s landbank, including contributions from the joint ventures, partnership portfolios and associates, stood at a total GFA of 11.5 million sq.m. (comprising 9.5 million sq.m. of leasable and saleable area, and 2.0 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of five major PRC cities, namely: Shanghai, Wuhan, Chongqing, Foshan and Dalian. The GFA attributable to the Group was 7.2 million sq.m..

Of the total leasable and saleable GFA of 9.5 million sq.m., approximately 1.7 million sq.m. was completed, and held for sale and/or investment. Approximately 2.8 million sq.m. is under development, with the remaining 5.0 million sq.m. held for future development.

On 20 December 2017, the Group acquired the entire equity interests in and the shareholder’s loans to the Shanghai Xin Wan Jing Property Limited for a consideration of approximately RMB1,144.3 million. This acquisition was completed on 4 January 2018 and thus excluded from the landbank as at 31 December 2017. It comprises two bare-shell office buildings known as Jianfa Junyi Building, which has a total leasable GFA of 45,000 sq.m..

Relocation in Shanghai RHXC

In Shanghai RHXC, Lots 1 and 10 have completed relocation activities. Lot 1 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex comprising two Grade-A office buildings and a shopping mall.

The relocation of Lots 7 and 167 is in progress. 98% and 95% of residents in Lots 7 and 167 have respectively signed relocation agreements as at 31 December 2017.

As at 31 December 2017, a total amount of RMB18,489 million had been paid for the above mentioned four sites. The estimated outstanding relocation cost of RMB4,776 million is estimated to be paid progressively in 2018 and 2019. The relocation of Lots 7 and 167 is expected to be completed in 2018 and 2019.

Details of the relocation progress for the respective lots are provided below:

Project	**Percentage of relocation as at 31 December 2017**	**Leasable and saleable GFA**	**Relocation cost paid as at 31 December 2017**	**Estimated outstanding relocation cost as at 31 December 2017**	**Actual/ Estimated relocation completion year**
		sq.m.	RMB'million	RMB'million	
Site Cleared in 2017					
RHXC Lot 10	100%	338,000	2,853	-	2017
RHXC Lot 1 (Residential)	100%	110,000	4,730	577	2017
		448,000	7,583	577	
Sites Under Relocation in 2017					
RHXC Lot 7 (Residential)	98%	159,000	4,164	331	2018
RHXC Lot 167	95%	230,000	6,742	3,868	2019
		389,000	10,906	4,199	
Total		**837,000**	**18,489**	**4,776**	

By way of a cautionary note, the actual completion date and relocation cost of the above-mentioned sites depends on and will be affected by changes in government regulations, negotiations with relevant parties and other factors. The above represents the best estimates as of the reporting period.

The Group's total landbank as at 31 December 2017, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest	Attributable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%	sq.m.
Completed properties:									
Shanghai Taipingqiao	49,000	36,000	76,000	-	**161,000**	92,000	**253,000**	99.00%[1]	213,000
Shanghai RHXC	48,000	-	112,000	-	**160,000**	125,000	**285,000**	99.00%[2]	212,000
Shanghai KIC	-	164,000	63,000	22,000	**249,000**	148,000	**397,000**	44.27%[3]	184,000
THE HUB	-	93,000	170,000	-	**263,000**	72,000	**335,000**	78.11%	262,000
Wuhan Tiandi	-	-	232,000	-	**232,000**	219,000	**451,000**	100.00%[4]	435,000
Chongqing Tiandi	1,000	1,000	149,000	-	**151,000**	269,000	**420,000**	99.00%	417,000
Foshan Lingnan Tiandi	4,000	16,000	154,000	43,000	**217,000**	138,000	**355,000**	100.00%	355,000
Dalian Tiandi[6]	40,000	207,000	54,000	5,000	**306,000**	190,000	**496,000**	48.00%[5]	236,000
Subtotal	142,000	517,000	1,010,000	70,000	**1,739,000**	1,253,000	**2,992,000**		**2,314,000**
Properties under development:									
Shanghai Taipingqiao	80,000	-	28,000	-	**108,000**	-	**108,000**	99.00%[1]	96,000
Shanghai RHXC	267,000	156,000	184,000	-	**607,000**	116,000	**723,000**	99.00%[2]	496,000
Wuhan Tiandi	108,000	177,000	-	-	**285,000**	16,000	**301,000**	100.00%	301,000
Chongqing Tiandi	381,000	259,000	109,000	25,000	**774,000**	185,000	**959,000**	19.80%	189,000
Foshan Lingnan Tiandi	67,000	-	14,000	-	**81,000**	23,000	**104,000**	100.00%	104,000
Dalian Tiandi[6]	393,000	206,000	175,000	130,000	**904,000**	277,000	**1,181,000**	48.00%[5]	568,000
Subtotal	1,296,000	798,000	510,000	155,000	**2,759,000**	617,000	**3,376,000**		**1,754,000**
Properties for future development:									
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	**416,000**	44,000	**460,000**	99.00%	456,000
Shanghai RHXC	83,000	69,000	78,000	-	**230,000**	2,000	**232,000**	49.00%	114,000
Wuhan Tiandi	135,000	166,000	94,000	-	**395,000**	-	**395,000**	100.00%	395,000
Chongqing Tiandi	313,000	-	167,000	-	**480,000**	35,000	**515,000**	19.80%	102,000
Foshan Lingnan Tiandi	78,000	450,000	107,000	80,000	**715,000**	-	**715,000**	100.00%	715,000
Dalian Tiandi[6]	355,000	867,000	262,000	42,000	**1,526,000**	-	**1,526,000**	48.00%[5]	733,000
Wuhan Optics Valley	444,000	637,000	196,000	-	**1,277,000**	2,000	**1,279,000**	50.00%	640,000
Subtotal	1,494,000	2,363,000	1,022,000	160,000	**5,039,000**	83,000	**5,122,000**		**3,155,000**
Total landbank GFA[7]	**2,932,000**	**3,678,000**	**2,542,000**	**385,000**	**9,537,000**	**1,953,000**	**11,490,000**		**7,223,000**

1 *The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Xintiandi Style, Shui On Plaza, 15th floor in Shui On Plaza and Lot 116, in which the Group has an effective interest of 78.11%, 77.33%, 62.49%, 78.11% and 98.00%, respectively.*

2 *The Group has a 99.0% effective interest in all the remaining Lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, Hall of the Sun, and Lot 167, in which the Group has an effective interest of 49.5%, 49.5%, 49.5%, 49.5% and 49%, respectively.*

3 *The Group has a 44.27% interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.*

4 *The Group has a 100.0% effective interest in all the remaining lots, except for Wuhan Xintiandi in which the Group has an effective interest of 78.11%.*

5 *The Group has a 48.0% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group has a 44.72% effective interest.*

6 *On 14 November 2017, the Group entered into a sales and purchase agreement in relation to the sale of 61.54% of the issued share capital of Richcoast, the offshore loans and onshore debts in Dalian Tiandi. Upon the completion of the disposal, Dalian Tiandi will cease to be the associate of the Group.*

7 *On 4 January 2018, the Group completed the acquisition of the entire equity interest in and the shareholder's loans to Shanghai Xin Wan Jing Property Limited, which has a total leasable GFA of 45,000 sq.m..*

FINANCIAL REVIEW

Profit attributable to shareholders of the Company for the year 2017 was RMB1,669 million, an increase of 53% compared to the corresponding period (2016: RMB1,088 million).

Core earnings of the Group are as follows:

	2017 **RMB'million**	2016 RMB'million	Change %
Profit attributable to shareholders of the Company	**1,669**	1,088	53%
Net increase in fair value of the remaining investment properties	**(518)**	(1,176)	
Effect of corresponding deferred tax charges	**129**	294	
Cumulative realised fair value gains of investment properties*	**851**	1,556	
Gain arose from acquisition of subsidiaries	**-**	(867)	
Realised gain arose from acquisition of subsidiaries	**256**	337	
Share of results of associates			
Fair value losses of investment properties	**244**	151	
Effect of corresponding deferred tax charges	**(61)**	(38)	
	901	257	251%
Non-controlling interests	**4**	4	
Net effect of changes in the valuation of investment properties	**905**	261	247%
Profit attributable to shareholders of the Company before revaluation of the remaining investment properties	**2,574**	1,349	
Add:			
Profit attributable to owners of convertible perpetual capital securities	**114**	112	2%
Profit attributable to owners of perpetual capital securities	**459**	337	36%
Core earnings of the Group	**3,147**	1,798	75%

* Cumulative realised fair value gains of investment properties for the year 2017 are mainly related to completion of the sale of 49.5% interest in the Shanghai RHXC Commercial Partnership Portfolio and The Palette 2 retail of Shanghai RHXC, while values for the comparative period were mainly related to Shanghai Taipingqiao 3 Corporate Avenue.

Earnings per share was RMB20.8 cents, which was calculated based on a weighted average of approximately 8,018 million shares in issue during the year 2017 (2016: RMB13.6 cents, which was calculated based on a weighted average of approximately 8,002 million shares in issue).

Dividends payable to shareholders of the Company have to comply with certain covenants under the senior notes and perpetual capital securities as follows:

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company’s shares) should not exceed 40% of the Company’s consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.

- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons deferred have been paid in full.

  Having taken into consideration that: i) the Group’s 2016 dividend per share ("DPS") was exceptionally low mainly due to restriction imposed by the Group’s existing bond covenants at that time, and ii) the Group’s financial position and cashflow has improved over the last two years, the Board has resolved to recommend the payment of a 2017 final dividend of HKD0.07 per share (2016: HKD0.039 per share).

Major Acquisitions and Disposals

The Group has pursued asset light strategy to dispose our assets to increase our asset turnover in 2017. Besides to sell entire interests in some of our commercial and residential properties, we also have made several partnerships with strategic partners like China Life, CITIC, and Vanke for long term project development. The details are as follows:

1) In January 2017, the Group entered into a 50:50 Joint Venture with CITIC and has made a successful bid for a piece of land in East Lake Ring, Wuhan, in the PRC. The Group's investment in the Joint Venture is approximately RMB1,410 million for funding the land acquisition.
2) In January 2017, the Group entered into a sales and purchase agreement to sell a hotel in Lot 3 at the Shanghai RHXC Project. The consideration was RMB500 million and the transaction was completed in May 2017.
3) In May 2017, the Group entered into an agreement with Vanke pursuant with which the Group disposed its 79.2% interest in the Chongqing project Partnership Portfolio for a consideration of RMB4,133 million. For details in relation to the disposal of the Chongqing project, please refer to the Group's circular dated 19 June 2017. The equity disposal was completed in June 2017.
4) In August 2017, the Group entered into an agreement with two independent third parties which resulted in the Group owning a 49% interest in the RHXC Lot 167. The Group may increase its interest to 80% in future. Total investment in RHXC Lot 167 is approximately RMB15 billion.
5) In September 2017, the Group entered into an agreement with China Life to sell a 49% interest in the Shanghai KIC project for a consideration of RMB2,949 million. For details relating to the disposal of the Shanghai KIC project, please refer to the Group's announcement dated 30 September 2017. The equity disposal was completed in December 2017.
6) In November 2017, the Group entered into an agreement to sell its entire interest (48% as of the date of disposal) in the Dalian Tiandi project for a consideration of RMB3,160 million. For details relating to the Group's disposal of its total interest in the Dalian Tiandi project, please refer to the circular dated 5 December 2017. The equity disposal is expected to complete on or before 31 March 2018.
7) In December 2017, the Group entered into an agreement with China Life to sell a 49.5% interest in the Shanghai RHXC Commercial Partnership Portfolio for a consideration of RMB3,869 million. For details pertaining to the disposal of the Shanghai RHXC commercial portfolio, please refer to the Group's circular dated 29 December 2017. The equity disposal was completed in December 2017.
8) In December 2017, the Group entered into an agreement to acquire a 100% interest in two office buildings in New Jiangwan City, YangPu District, Shanghai for a consideration of RMB1,144 million. For details relating to the Group's acquisition of two office buildings in Shanghai, please refer to the Group's announcement dated 20 December 2017.

Liquidity, Capital Structure and Gearing Ratio

Up to the date of this report, the Group has arranged three new issuance and five repaid/redemption of senior notes/senior perpetual capital securities. The purpose of refinancing and redemption is to take advantage of the lower finance costs and to extend the maturity of the senior notes/senior perpetual capital securities. The details are as follows:

1) In January 2017, the Group issued an aggregate principal amount of USD500 million in senior notes which will be due in 2021 at a yield of 5.7 % per annum.
2) In February 2017, the Group had fully repaid an aggregate principal amount of RMB2,500 million in senior notes at a yield of 6.875% per annum.
3) In June 2017, the Group has fully redeemed senior notes with principal amount of USD202,487,000 due 2020 at a yield of 9.75% per annum with a redemption price equal to 104.875% of the total principal amount plus the accrued and unpaid interest. The total amount paid for such redemption is equivalent to RMB1,452 million.
4) In June 2017, the Group issued an aggregate principal amount of USD600 million in senior perpetual capital securities which will be callable in 2022 at a yield of 6.4% per annum.

5) In July 2017, the Group has fully redeemed senior notes with principal amount of USD500 million due 2017 at a yield of 8.7% per annum with a redemption price equal to USD 1,036.37984 per USD1,000 in aggregate amount. The total amount paid for such redemption is equivalent to RMB3,512 million.

6) In December 2017, the Group has fully redeemed senior perpetual capital securities with principal amount of USD500 million at a yield of 10.125% per annum with a redemption price equal to at par of the total amount. The total amount paid for such redemption is equivalent to RMB 3,303 million.

7) In December 2017 and January 2018, the Group has fully redeemed senior notes with principal amount of USD550 million due 2019 at a yield of 9.625% per annum with a redemption price equal to 104.813% of the total amount plus the accrued and unpaid interest. The total amount paid for such redemption is equivalent to RMB3,810 million.

8) On 2 March 2018, the Group issued an aggregate principal amount of RMB1,600 million senior notes due 2021 at a yield of 6.875% per annum.

The structure of the Group's borrowings as of 31 December 2017 is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	23,108	7,826	8,584	3,007	3,691
Bank borrowings – HKD	3,413	604	2,809	-	-
Bank borrowings – USD	4,472	1,166	2,268	1,038	-
Senior notes – USD	10,706	5,781	1,632	3,293	-
Total	**41,699**	**15,377**	**15,293**	**7,338**	**3,691**

Total cash and bank deposits amounted to RMB16,760 million as of 31 December 2017 (31 December 2016: RMB15,567 million), which included RMB2,153 million (31 December 2016: RMB4,479 million) of deposits pledged to banks and RMB1,013 million (31 December 2016: RMB1,435 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2017, the Group's net debt balance was RMB24,939 million (31 December 2016: RMB31,556 million) and its total equity was RMB49,175 million (31 December 2016: RMB46,256 million). The Group's net gearing ratio was 51% as of 31 December 2017 (31 December 2016: 68%), calculated on the basis of the excess of the sum of senior notes, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

As of 31 December 2017, HKD/USD borrowing including senior notes (unhedged) amounting to approximately RMB11,070 million was equivalent to approximately 27% of total borrowings (31 December 2016: 26%).

Total undrawn banking facilities available to the Group amounted to approximately RMB2,380 million as of 31 December 2017 (31 December 2016: RMB6,631 million).

Pledged Assets

As of 31 December 2017, the Group had pledged investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivable and bank deposits totalling RMB44,741 million (31 December 2016: RMB60,274 million) to secure the Group's borrowings of RMB18,304 million (31 December 2016: RMB27,272 million).

Capital and Other Development Related Commitments

As of 31 December 2017, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB2,750 million (31 December 2016: RMB8,960 million).

Cash Flow Management and Liquidity Risk

Management of cash flow is the responsibility of the Group's treasury function at the corporate level.

The Group's commitment is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings and debt financing, as appropriate. The present financial and liquidity position enables the Group to maintain a reasonable liquidity buffer so that sufficient funds are available to meet liquidity requirements at all times.

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The RMB senior notes issued in 2014 and 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2014 and 2018 does not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and CPCS denominated in USD issued from 2014 to 2017. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 31 December 2017, the Group has entered approximately USD797 million and HKD423 million forward to hedge the USD and HKD currency risk against RMB respectively. In addition, from 1 January 2018 till today, the Group has further entered USD121 million forward to hedge the USD currency risk against RMB.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank borrowings consist of variable rate debt obligations with original maturities ranging from one to four years for project construction loans, and two to fourteen years for mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

Save for disclosed above, as of 31 December 2017, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

MARKET OUTLOOK

The global economy staged a broad-based upturn in 2017, but the outlook this year, remains uncertain in view of immense geopolitical risk. Despite improving economic prospects, financial markets experienced markedly heightened volatility in early 2018, reflecting enormous uncertainties stemming from geopolitical tension in the Korean Peninsula and the Middle East. This may escalate and alter the optimistic outlook. So far, accommodative monetary policy and low interest rates have buoyed business confidence, but in view of increasingly tight labour market conditions, wage hikes will be inevitable, which could lead to rising inflation. The recovery in global trade and investment is also vulnerable to the US Administration's protectionism policy stance, a rise in punitive custom duties, as well as contentious issues related to intellectual property protection and cyber security breaches.

China achieved above-expectation GDP growth of 6.9% in 2017, the first acceleration since 2010. The economy has been supported by robust job growth and the rapid expansion of tertiary sector activities. Last year, the downward trajectory of China's foreign exchange reserves was reversed and they rose to US$3.14 trillion by the end of December 2017. It is worth noting that since the RMB joined the SDR in 2016, more than 60 countries and regions have adopted the RMB as a new reserve currency. Last year, more central banks in Europe such as Deutsche Bundesbank have revealed plans to hold RMB as part of their foreign currency reserves, highlighting the Chinese currency's rise to being among an elite league of the world's major reserve currencies.

At the 19th Party Congress held last October, China rolled out its long-term development blueprint through 2050, marking its transition to a new era that will emphasise high quality development over rapid growth. China is to embark on an innovation-led development path that will focus on balanced and coordinated development among urban and rural areas, and will pursue further reform and market liberalisation. The key tasks of the government for the coming year include institutional restructuring, debt deleveraging and prevention of systemic financial risks.

Although the government-imposed property cooling measures to rein in speculative house purchases, the total sales area of residential housing reached a record high of 14.48 billion square metres in 2017, and total sales value reached RMB11.02 billion, representing respectively annual increases of 5.3% and 11.3%. In the coming year, the government will move to put in place a long-term housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages the development of the rental market along with home ownership. Meanwhile, China will apply differentiated property policies based on local conditions. With respect to the property market, we expect various measures affecting the residential sector such as price controls, restrictions on home purchases, and granting of sales permit will remain in place. In view of rising home mortgage rates and debt deleveraging, we expect a residential property transactions to slow in 2018.

Shanghai's decentralised Grade A office market has boomed in line with the municipality's 2035 Master Plan, which outlines a trend of decentralised regional hub development. Meanwhile, with the rise of the millennial workforce and the government's supportive policies for innovation and startups, co-working is becoming a new trend in China's office sector. In 2017, consumption was the main driver of China's economic growth, contributing 58.8% to national GDP. National retail sales growth registered an increase of 10.2% to RMB36.6 trillion last year underpinned by strong per capita income growth. Although the take-up for commercial retail space has remained strong, the huge supply pipeline coming on stream in 2018 and the rapid growth of e-commerce are expected to put downward pressure on occupancy and rents in many Chinese cities.

In 2017, Shanghai's economy grew 6.9% year-on-year and became the first Chinese city to achieve GDP in excess of RMB3 trillion. The development priorities for 2018 are to deepen market reforms and enhance innovation as a new economic growth driver, with research and development expenditure targeted to reach 3.8% of GDP. Shanghai will explore the establishment of a free trade port on the strengths of its existing Yangshan Deep-Water Port and Pudong International Airport.

The pace of Wuhan's GDP growth rose to 8.0% in 2017 from 7.8% in 2016. In July 2017, the government announced a major plan to develop Changjiang New Town, located in the mid-northern areas of Wuhan. The primary target of Changjiang New Town is to create a future city of innovation that attracts high-tech industries like bio-technology, clean tech, new energy, new materials, and information technology. In order to encourage talent to stay and work in the city, the government announced the issuance of house purchase/rental subsidy vouchers for innovative talents. Individuals without local household registration (Hukou) can purchase their first home with the subsidy vouchers. The new policy is expected to accelerate talent inflow and provide support for the housing market.

Chongqing achieved 9.3% GDP growth in 2017 amid economic restructuring and industrial transformation, with its tertiary sector now accounting for 49.0% of GDP (from 48.4% in 2016). The municipality has introduced a blueprint to build a smart and high-tech city with strategic cooperation from Alibaba & Tencent. According to Chongqing's 13th Five Year Plan, high-tech and financial services industries will play a bigger role and are projected to account respectively for 25% and 11% of total industry output by 2020. Chongqing is rapidly becoming an open market economy following Central Government's approval for the establishment of Chongqing Free Trade Zone (FTZ) in Liangjiang New Area, Xiyong Area & Guoyuan Port Area in 2017.

Foshan's economy maintained a rapid 8.5% growth rate in 2017. Foshan's government work report 2018 unveiled the "science and technology and intelligent manufacturing" development focal points to achieve the goal of national innovation city by 2020. It is notable that technology companies such as Alibaba, Huawei and Tencent have all established operations in Foshan. The Guangzhou-Shenzhen-Hong Kong high-speed railway is expected to commence operation in Q3 2018, putting Foshan within a one hour economic circle encompassing Guangdong, Hongkong and Macau via connections from Guangzhou South Railway Station and Foshan West Railway Station.

Dalian's GDP recovered steadily throughout 2017 and charted a 7.1% growth for the year. The government plans to establish Dalian as a regional shipping centre and financial centre serving Northeast Asia. The city is an important destination for foreign investment, attracting US$3.3 billion in FDI in 2017. Residential sales volume and average prices both increased during 2017, and the market outlook remains stable this year.

US-China trade relations, interest hikes, exchange rate fluctuations and financial market risks are the key uncertainties affecting China's economic outlook for 2018. It is expected that the government will focus on speeding up development of the home rental market to address the housing needs of those who cannot afford to purchase. The housing market correction is expected to continue, as policy makers are unlikely to loosen property control measures for the key cities. Residential sales activities in the top tier cities are therefore expected to stay modest in the near future. This year will therefore be another challenging one for the residential property sector, and we will closely monitor changes in global and domestic market conditions and make adaptations as necessary in response to policy changes and the evolving market environment.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD0.07 per share for the year ended 31 December 2017 (2016: HKD0.039). Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting ("**AGM**") to be held on 16 May 2018, the final dividend is expected to be paid on or about 15 June 2018 to shareholders whose names appear on the register of members of the Company on 1 June 2018, being the record date. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 1 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 3 May 2018 to Wednesday, 16 May 2018 (both dates inclusive) during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 2 May 2018 shall be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 May 2018.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

On 10 December 2012, Shui On Development (Holding) Limited ("SODH") issued US$500 million 10.125% perpetual capital securities (the "Perpetual Securities"). On 10 December 2017, SODH redeemed all the outstanding Perpetual Securities with an aggregate principal amount of US$500 million and paid the redemption price together with any accrued distribution. Upon redemption, the Perpetual Securities were cancelled.

On 26 February 2014, SODH issued RMB2,500 million in 6.875% senior notes due 2017 (the "2017 CNH Notes"). SODH had fully repaid the principal amount of the outstanding 2017 CNH Notes together with the accrued and unpaid interest upon its maturity on 26 February 2017.

On 19 May 2014, SODH issued US$202,487,000 in 9.750% senior notes due 2020 (the "2020 SODH Notes"). On 5 June 2017, SODH redeemed all outstanding 2020 SODH Notes with an aggregate principal amount of USD202,487,000 and paid the redemption price plus the accrued and unpaid interest. Upon redemption, the 2020 SODH Notes were cancelled.

On 10 June 2014, SODH issued US$550 million in 9.625% senior notes due 2019 (the "2019 SODH Notes"). On 28 December 2017, SODH partially redeemed US$300 million of the outstanding 2019 SODH Notes with the aggregate principal amount of US$550 million on a pro rata basis and paid the redemption price plus the accrued and unpaid interest. Upon such redemption, the outstanding 2019 SODH Notes totalled US$250 million. On 22 January 2018, SODH further redeemed the outstanding 2019 SODH Notes with the aggregate principal amount of US$250 million and paid the redemption price plus the accrued and unpaid interest. Upon completion of the redemption, the 2019 SODH Notes were cancelled.

On 24 November 2014, SODH issued US$500 million in 8.70% senior notes due 2017 (the "2017 SODH Notes"). On 26 July 2017, SODH redeemed all the outstanding 2017 SODH Notes with an aggregate principal amount of US$500 million and paid the redemption price plus applicable premium and the accrued and unpaid interest. Upon redemption, the 2017 SODH Notes were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with all the applicable code provisions (the "CG Code") as set out in Appendix 14 of the Listing Rules and aligns its practices with the latest developments of the CG Code. During the year ended 31 December 2017, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code. Further information on the Company's corporate governance practices is set out in the Company's 2017 Annual Report.

The Audit and Risk Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2017, the number of employees in the Group was 3,219 (31 December 2016: 3,295); which included the headcount of China Xintiandi at 435 (31 December 2016: 388), the headcount of the property management business at 1,635 (31 December 2016: 1,583), the headcount of the construction and fitting out business at 266 (31 December 2016: 301). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

The Group strongly believes in the principle of equality of opportunity. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed in achieving our corporate goals.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

My heartfelt thanks go to the Board members for their counsel during this challenging year and to our management and employees for their hard work and dedication throughout 2017. I also wish to thank our business partners for their trust and support.

Many uncertainties lie ahead and our approach to new opportunities will continue to be tempered by prudence. We remain focused on positioning ourselves to cope with the challenges to come, with a stronger balance sheet and solid partners who can help push projects forward, as well as a management team whose skill and experience belies its youth. Our cautious approach should help us achieve our ultimate goal of improving returns to shareholders.

By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 21 March 2018

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman) and Mr. Douglas H. H. SUNG (Chief Financial Officer); the non-executive director of the Company is Mr. Frankie Y. L. WONG; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW and Mr. Anthony J. L. NIGHTINGALE.

This announcement contains forward-looking statements, including, without limitation, words and expressions such as "expect," "believe," "plan," "intend," "aim," "estimate," "project," "anticipate," "seek," "predict," "may," "should," "will," "would" and "could" or similar words or statements, in particularly statements in relation to future events, our future financial, business or other performance and development, strategy, plans, objectives, goals and targets, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including with respect to the following:

- *changes in laws and PRC governmental regulations, policies and approval processes in the regions where we develop or manage our projects;*
- *changes in economic, political and social conditions and competition in the cities we operate in, including a downturn in the property markets;*
- *our business and operating strategies;*
- *our capital expenditure plans;*
- *various business opportunities that we may pursue;*
- *our dividend policy;*
- *our operations and business prospects;*
- *our financial condition and results of operations;*
- *the industry outlook generally;*
- *our proposed completion and delivery dates for our projects;*
- *changes in competitive conditions and our ability to compete under these conditions;*
- *catastrophic losses from fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;*
- *our ability to further acquire suitable sites and develop and manage our projects as planned;*
- *availability and changes of loans and other forms of financing;*
- *departure of key management personnel;*
- *performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;*
- *exchange rate fluctuations;*
- *currency exchange restrictions; and*
- *other factors beyond our control.*

This list of important factors is not exhaustive. Additional factors could cause the actual results, performance or achievements to differ materially. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements, which speak only as of the date of this announcement, will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise any forward-looking statements. You should not place undue reliance on any forward-looking information.

** For identification purposes only*